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PREREQUISITES FOR JAPANESE ECONOMY AND SMALL-MEDIUM INDUSTRY

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I

The Japanese economy is at present in the process of becoming a "self-sustaining" economy independent as a member of world economy in pursuing the laws of economic development, a process which is, of course, both necessary and unavoidable if Japanese capitalism is to continue its development.

Needless to mention, the basic power in Japan's capitalism is the activity of capital. As the development of the Japanese economy since the Meiji Era shows, capital, particularly in Japan, does not and cannot occupy the premier position in economic organization independent of other economic factors. Capital, evidently dominant factor, exists in a reciprocal and conditional relationship with various other economic factors. It is doubtless these reciprocal and conditional relationships which distinguish the structural characteristics of the various capitalistic economies of various countries.

Thus also, in the case of Japanese capitalism which is now following the "necessary" course toward a self-sustaining economy, the process cannot be viewed in accordance with the principles of capital activity alone. The crucial and determining factor as might be expected when considering this course is labour, as is quite natural in any capitalistic society. In Japan, particularly in post War Japan, as contrasted with the period prior to World War II, the labour factor assumes a character of entirely new importance; it is, in fact, a "new" factor, in the sense that it now is modern organized labour, because she had scarcely the industrial relation equipped with trade unions before the War. There is at the same time, another aspect of the labour factor which is growing with and allied to this new factor. This is the pressure of an increasing 15-64 years of age population.

As in the case of England in the 19th century, if Japanese capitalism is to go beyond the phase at which it has now arrived, it must face up to this problem of an increasing labour force, not from humanitarian or ethical considerations alone, but out of sheer economic necessity. Without solving this problem, there will be no future development of capitalism in Japan. Needless to say, this factor of an increasing labour force is of crucial importance.

Fundamentally, of course, economic development implies progress, both qualitatively and quantitatively, in the economic activities of man; it is axiomatic that economics is concerned basically and ultimately with man. Though capitalistic economy has made a big advance in economic development, it has also introduced such a problem as unemployment into this "economy for man".

It is needless here to mention such an ever-present institutional contradiction. For the present Japanese capitalistic economy the problem is taking a more keen shape. The ever growing pressure of an increasing labour force raises the following question: how can the Japanese people maintain their livelihood within the Japanese national economy and how is Japan's capitalistic economy responding to this fundamental problem? This basic problem which may be suggested as the second severe contradiction in the history of Japan's economic development since the Industrial Revolution; so severe that it might be postulated that there will be no economic development under the capitalistic system in Japan ignoring the question.

While the problem of a rapidly increasing population pressure is not in itself new, it has in Japan today certain characteristics and implications which are new and which should be noted.

It is generally expected that a natural increase of population will be accompanied by a corresponding increase in the production age population. However, the production age population not only increases but an increase in the child population also constitutes an important part of the overall population increase. For instance, the Japanese population which was 55,400,000 in 1920 increased to 68,700,000 in 1953, and to 83,200,000 in 1950 and approximately 40% of this increase of 13,300,000 in the first 15 years represented children under 14 years of age, whereas the increase in production age population, that is persons 15 to 64, was 7,900,000. In the next 15 years, however, of an increase of 14,500,000 in Japan's population, the increase of children 14 years represented only 30% with the remaining percentage representing a population at production age. In estimating the population increase in Japan for the period 1950 to 1965, which is estimated to be 14,100,000, allowing for the rapidly declining birth and death rates, the child population should decrease for the first time about 5,200,000, whereas the increase of the production age population, making up for this decrease in the child population, is estimated to be 17,300,000. That is to say, the age structure of Japan's population tends to show an increase differing remarkably from those of the past. Furthermore, this increase, since it will be due to the decline in the death rate, will be steady. The real increase will be an increase of the production age population alone. Assuming that the

birth rate remain constant, it can be estimated that the increase of the production age population will slacken after 1965. In this connection, the following series of assumptions could be made here: that the production age population will increase by 1,150,000 per year during 15 years up to 1965 and the number of employed should increase by 750,000 yearly according to the present rate of employment in Japan which has been 67% of the producing age population.

While it would be interesting to analyze how and why this change with respect to the increase of the production age population has occurred in the economic process of Japanese capitalism, this is a question which can be postponed for further discussion (although it should not be laid aside as being "outside" of the economy). The basic proposition remains that Japanese capitalism must proceed toward self-sustaining economy answering this new pressure of growing population. The general economic conditions which support this proposition indicate how difficult it is for Japanese capitalism to answer this proposition at the same time in terms of the standard of income. However, I would like to refrain from touching upon such general problems now.

It has been estimated by a French demographer that the costs in terms of national economy of raising a human being from infancy to the age of 18 is equal to the earnings which would accrue from 9.5 years' labour.¹ The increase of the production age population therefore constitutes not merely an increase of population but an increase in the supply of potential economic power, a matter for congratulation, not regret. However, such increases in the population raise in the modern world a demand not merely for more food and clothing from charity but for real proper opportunities for employment. If such demands are not met, it may be feared that serious social unrest will accompany such a growth of population.

It may be concluded, therefore, that the classes belonging to the producing age population may not accept Japanese capitalism as a self-sustaining economy, if it could not offer sufficient and proper employment to these classes. Frankly speaking, Japanese capitalism is under demand that it should draw up its plans for a self-sustaining economy in such a form as to answer this employment problem. Has Japanese capitalism, however, taken up this problem with due "frankness" and is it demonstrating ability to cope adequately with it?

The problems of small-medium industry, the subject of this paper, are arising in such a context of the Japanese capitalistic economy at the present time.

II

First, turning briefly to available "official" material, attention will be paid to the question of how Japanese capitalism at present is answering of preparing to cope with the pressures of an increasing working population.

¹ Sauvy, Alfred; *Théorie générale de la population*, Vol. 1 *Economic et population*, Paris, 1952, p. 328.

As has already been mentioned, the new pressures of Japan's working population were first apparent in 1950, and it would be expected, therefore, that answers of some sort must already have been put forth. Although the data found in the "Rodoryoku Chosa" (Survey of Labour Force) must be taken as rough estimates, on the basis of this, let us see the sorts of employment in which the increased working population was absorbed during 1951-1954. (Table 1)

Table 1
Increase of Employment Population during 1951-1954
(10,000 persons)

Classification of Industries		Increase in Tertiary Industry		Classification by Status			
					Total	Agriculture	Non-Agriculture
Primary Industry	53	Commercial, financial, real estate trades	116	Proprietor	32	*21	53
Secondary "	101			Family workers	155	67	88
Tertiary "	180	Servicing trades	53	Employees	149	4	145
Unknown	2	Civil service	10				
		Others	1				
Total	336		180		336	50	286

Rodoryoku Chosa (Survey of Labour Force)

* shows decrease

Number of unemployed increased by 190,000 during this period

During this period, it will be seen that while unemployment increased by 190,000, employment increased by 3,360,000. The figures for employment have been broken down as follows: 530,000 in primary industry; 1,010,000 in secondary; and 1,800,000 in tertiary, the absorbing power of the tertiary being over 53%. The increase of 1,800,000 in the tertiary industry includes: 530,000 in servicing and entertainment, and 1,160,000 occupied in commercial, financial and real estate trade. In other words, one-third of the total increase was in the commercial, financial and real estate trades, which in turn consist essentially of retail trades. As will be seen later, employment in commerce includes occupations in petty retailing with less than 5 engaged persons. Statistics which break down the employment figures in terms of status of employment reveal that those engaged as "family workers," an old form of labour, totalled 1,550,000, slightly exceeding the number of 1,490,000 employed workers. Under agriculture and forestry, the number of family workers increased by 670,000 and the number of employees by only 40,000, with the number of self-employed showing a slight decrease. In the tertiary and secondary industries there was a distinct increase; the number of proprietors increasing by 530,000 and that of family

workers by 880,000. As can be seen from the industrial statistics, the number of family workers was highest in petty industries. For instance, in Osaka Prefecture (Table II, 1950), there were 2.26 family workers to 1 employee in small scale industrial establishments with less than 3 persons engaged. In the case of establishments with 4 persons, there were 0.48 family workers to 1 employee.

Table II
Labour Structure in Small Industries in Osaka Prefecture (1950)

	less than 3	4	5~9	10~19	all scales
Regular employees (A)	6,025	3,802	28,370	49,875	402,259
Family workers (B)	13,664	1,852	5,011	2,036	23,110
B ÷ A	2.26	0.48	0.18	0.04	0.05

Based on Analytical Report of Industrial Statistics, Osaka Prefecture

It will be seen that particularly in commerce, according to commercial statistics (1952), among the total number of persons engaged in commerce (including proprietors and officers of corporations) which was 3,530,000, 25.6%, that is, 900,000 were family workers whereas 40.2%, that is, 1,420,000, were proprietors (and corporation officers). The increase of 530,000 in the number of proprietors and 880,000 in family workers in the non-agriculture figures is considered to have been absorbed mainly in petty commercial trade. Most of the increase of 1,450,000 in the number of employees in non-agriculture was absorbed in secondary industry, especially manufacturing industry. However, it is quite possible that at least 50% of the employment increase in manufacturing was absorbed in industries employing less than 50, that is, in small-medium industries. Thus, Japanese capitalism to date has been meeting with the increase in its productive population essentially through employment in the small-medium industries.

Table III
Estimated Increase of Employment in Five-Year Plan (1954-1960)
(10,000 persons)

	Total	Employees	Others
Total	504	276	228
Primary industry	76	6	90
Secondary "	163	138	25
Tertiary "	267	131	136
Manufacturing industry	111	100	11
Commercial, financial, real estate trades	150	51	99
Servicing trades	82	45	37

Before turning to the question what sort of employment these are, it should be noted that the official viewpoint is likely to remain unchallenged at present, accepting such trends and places of employment. Illustrations of this will be seen in the following.

With respect to the actual prospects for increase of employment, the Five-Year Economic Plan drawn up in early 1955 by the Liberal-Democrat, government, envisages an increase of employment by 5,040,000 during the period 1954-1960 (Table III).

Of this total increase, tertiary industries account for 2,670,000; 1,630,000 to be absorbed by secondary industries and merely 760,000 in primary industries. It is not unusual that the prospects for increase in primary industries should be small. Of the increase of 2,280,000 in the number of proprietors and family workers, 1,360,000 are estimated to be in tertiary industries: —approximately 1,000,000 in commercial, financial and real estate trades and 370,000 in servicing and entertainment trades. These estimates, which represent nothing but statisticalized, overall projections, show the attitude leaving the things going themselves and thinking it simply natural to discover the increased supply of labour directed into commerce, proprietors, and family workers engaged in petty business. In short, Japanese capitalism is attempting to meet the pressure of an increasing working population brought forth against her course toward a self-sustaining economy in small-medium industries. Can an increase in such a direction be considered a matter for rejoicing?

III

It may be said that industries, like human beings, are of different structures and sizes. For instance, we find it not possible to establish a modern steel plant with a capital of ¥100,000,000, and yet it would be absurd to invest this amount in the establishment of one large-scale kite manufacturing concern. That is to say, under given economic conditions, there are for each industry proper standards of scale and size, depending upon the kind of industry. As large sized industries are not always appropriate, the existence of small-medium sized industries can never be considered irrational. Even in the United States, country which is typical example of monopolistic capital and of mass production economy, small sized enterprises occupy an important position with respect to number of establishments, in manufacturing as well as in commercial and servicing and entertainment trades. Though I would not say there are no problems with respect to small-medium industries, small-medium industry can hardly be dismissed as having no employment value in our present day economic system.

It is true that by small-medium industries, we mean enterprises small or medium and not large is size. It might be right to point out why such enterprises, because of being small or medium in size, should necessarily and specially be classified as small-medium industries.

They are, in fact, classified as small-medium not merely because of the quantitative scale. In the United States, for instance, enterprises with as many as 500 employees are still considered small, while in Japan enterprises with up to 300 employees are in the category of small-medium industries. Moreover, a garment factory and an atmospheric nitrogen processing factory may differ far more in terms of capital invested but not so in terms of numbers of workers employed. In comparing size of industrial enterprises, even those with the same number of employees, various factors such as capital, scale of operation and so forth must be taken into account. "Size", then depends upon the industry, the time and country. The problem is to determine the unique "quality" or characteristic common to all the various small-medium enterprises by which they may be appropriately classified as small-medium industry regardless of actual size.

In Japan at present small-medium industry is conceived of as a group of enterprises defined not in terms of traditional industrial scales but rather with respect to a specific essential quality common to all in the group.¹ Here at least, the concept of small-medium industry starts with the assumption that it possesses a certain fixed quality in addition to being small in size.

IV

Let us inspect some data on manufacturing, which holds an important position among small-medium enterprises. Although most of the data have al-

Table IV

Scale (Number of Persons engaged)	Wage Differentials		Establishment Earning per person	
	Japan (1952)	Britain (1949)	Japan (1952)	Britain (1949)
4 ~ 9	39.2	—	30.2	—
10 ~ 19 (11 ~ 24)	45.5	*83.9	36.3	*90.0
20 ~ 49 (25 ~ 49)	52.5	*83.4	45.4	*92.2
50 ~ 99	60.4	83.7	58.5	93.8
100 ~ 199	69.3	84.8	70.8	95.6
200 ~ 499	83.3	85.9	94.1	96.7
500 ~ 999	96.4	89.3	103.7	98.1
1000 ~	100.0	100.0	100.0	100.0

Note: Sources for Japan: Census of Manufacture.

Sources for Great Britain: Census of Production, for 1950, 1949 and 1948, Summary Tables, Part I.

Figures with asterisks are for the parenthetical numbers. Persons engaged include other than paid workers such as salary earners or family workers without pay for Japan and only paid workers excluding outworkers for Great Britain.

¹ See my article, "The Nature of Small Industries. A Survey of the economic intertation in Japan", in the *Annals of the Hitotsubashi Academy*, Hitotsubashi Univ, Vol. IV, No. I, 1359.

ready been quoted on various other occasions,¹ I shall refer to them again insofar as they are related to the problems dealt with in this article.

Table IV is a comparison of wage and establishment earning differentials by size of establishment in Japan and Great Britain.

The figures are indices of average per capita earnings by establishment² in all industries classified by the size of business (number of engaged persons, a little wider in its sense in Japan than in Great Britain), with the scale high point (for establishments with more than 1,000 persons) set at 100. The table also sets forth the index numbers of average per capita yearly income for paid employee calculated in the same way.

These indices are defective in that they are calculated on the basis of just one year and are by establishment and not by individual field of business, and that they are merely a comparison of per capita index numbers which in turn are the average for all industries. Moreover the method of statistics is more or less different for the two countries. Nevertheless, because of their comprehensiveness, they are fully suggestive. As an example, the margin between the highest and lowest earnings of establishments in Great Britain amounts to only 10% whereas it almost reaches 64% in Japan.

Table V is a comparison of indices for per capita average wages and earnings of establishments classified by the field of industries, calculated by the same method and from the same sources, and setting for the top of the one hundred-high scale the average income of the field in the forefront.

As shown in the table, the margin between maximum and minimum earning indices of establishments in Great Britain is 48, whereas in Japan it is 82. However, since the oil and coal products industry which is the highest for Japan may be said to be somewhat exceptional as indicated by the margin between it and the second highest, the chemical and allied industry, the two fields may be taken together. In that case the margin between the highest and lowest would come to 72, or twice as much as that of Great Britain. The margin in Japan attains in six fold approximately compared with Great Britain the case of size of establishments, so the margin between fields of industries in Japan is not so wide as it seems at first sight.

Moreover, it may be concluded from the table that the structure of industry in Japan classified by field, insofar as the per capita earnings of establishments is concerned, is normal, with chemical products, paper, primary metals, and machinery ranking high, and clothing, woodcrafts, and textiles low.

¹ See my articles written in Japanese and "Small-Medium Industries in Japan's Social Economic Structure", Oct., 1955 prepared for the International House of Japan, Inc., Tokyo (this latter written in English is about to be published by the Division of Economics & Commerce, the Science Council of Japan, as one of its economic series).

² The earning of establishments is referred to as "Added Value" in Japan and "Net Output" in Great Britain. Although the two terms differ in connotation, they are roughly similar in that they are the margin figures obtained after deducting from the value of shipments the cost of raw material and power, cost of parts and put-out works and the excise. Wages and salaries, interests, overhead charges, and profits are not subtracted. Hence the term, rather vague, "Earning of establishment" seems less misleading.

The only difference between Japan and Great Britain is that in the case of the latter, foodstuffs and leather rank high, whereas in the case of the former, they hold a subordinate position. In short, although on an absolute scale the per capita productivity of Japan lags far behind that of Great Britain due to backwardness in automation, etc., it holds a relatively similar position as that of Great Britain in the structure of industry. It may be said that this great divergence between Japan and Great Britain, not in structure, but in size of business indicates something peculiar to the Japanese industry.

Let us now proceed to a comparison of the earnings of establishments in Japan and Great Britain classified by size of business in each subdivided field.

In the case of Great Britain, it is pointed out by economists such as Colin Clark¹ and L. Rostas² that the several industries investigated fall into the following categories: industries whose earning increase proportional to the size of business; industries in which the middle group has the largest or the smallest amount of earning; industries whose earning is in inverse proportion to the size of business; and finally, industries whose earning has irregular correlation with the size of business. According to Rostas,³ for example, when the analysis of earning of establishments is taken alone, 11 industries fall into the first category

Table VI

Percentage Comparison of Relationship Between
Establishment Earning per Person and Size of
Business Number of Subdivisions Japan (1952)

Size of Business	No. of Fields	A	B	C	Total
Petty (4~29 persons)	34	15%	32%	53%	100%
Small (4~49 persons)	37	19	8	73	100
Medium and Small (4~199 persons)	120	3	18	79	100
Large and Small (4~999 persons)	101	3	17	80	100
Largest and Small (4~1000 persons or over)	20	—	5	95	100
Large (over 200 persons)	8	63	—	37	100
Total	320	7	17	74	100

Note: 1. Source: Census of Manufacture.

2. The Classification in this table are tentative and are subject to further, more accurate calculation.

3. A indicates industries whose per capita earning decrease in inverse proportion to the size of business.

B indicates industries among which the middle group has the highest or lowest per worker earning or whose earning has little correlation with increases and decreases in the size of business.

C indicates industries whose per worker earning increase proportional to the size of business.

¹ Colin Clark, *Conditions of Economic Progress*, London, 1940

² L. Rostas, *Prices and Distribution in Selected British Industries*, Cambridge, 1948.

³ L. Rostas, *ibid* pp. 28-30.

(inclusive of 4 industries which partially belong to this category), 2 into the second, 2 into the third, and 5 into the fourth category. The results obtained by Rostas and Clark are discrepant in that industries falling in the first category with Rostas are much greater in number than with Clark.

This leads to the long-pending question of whether it is possible to make a comparison of per capita earning of establishments in small-medium businesses of Japan. The data for this have recently become available and are still under investigation, and we have not yet arrived at the stage of giving accurate figures. Leaving such to a later report, we shall, in this report, use the above rough figures set forth in Table VI as an interim measure.

The above table sets forth the rough percentage of the different categories in each subdivided field with respect to the relation of per capita earning of establishments to the size of business, calculated from the 1952 Census of Manufacture. Out of 335 business fields treated, 15 would not fall under any of the categories and were excluded. Among the remaining 320 fields, those whose establishment earning increases entirely or partially proportional to the size of business account for 76% or three-fourth; those among which the middle size have the highest or lowest earning, or whose earning has no correlation with size account for 17%, and those whose earning wholly or partially in inverse proportion to size account for 7%. This is further classified under the following 6 scales of business: petty businesses (consisting of establishments employing 29 persons or under), small-size businesses (consisting of establishments employing 49 persons or under), medium and small size businesses (consisting of establishments employing 199 persons or under), small and large size businesses (consisting of establishments employing 999 persons or under), small and largest size business (consisting of establishments at the largest which employ 1,000 persons or over), large-size businesses (consisting only of establishments employing 200 persons or over). What should be noted here is that the fields belonging to the third category, namely, those the per capita establishment earning of which is in inverse proportion to the size of business, concentrate upon the two extremes, namely, petty and small size businesses in one hand and large size business (consisting exclusively of establishments employing 200 workers or over) on the other hand. Although those figures are still subject to further detailed analysis as stated before, it may be safe to say that conspicuous "diminishing return" patterns are seen not in all the fields which comprise both large and small establishments but only in those which consist exclusively of large or small establishments. Japanese industries taken as a whole would fall under the first category in which the earning of establishments is proportional to the size of business. The average differentials by size of business of all industry which we referred to before would fairly well represent the average figures of these subdivided fields.

The following remarks should be added further to the above analysis of the tables concerning manufacturing industry. Since the fields in which the per capita earning of establishments ranks high when classified by the fields of industry are not so different, although slightly lower in the actual amount,

from those in Great Britain, it may be said that the fields ranking low in differentials in the case of Japan are extremely low. Again although hardly any reference was made to the wage differentials set forth in the table V, we might point out here that the vertical order in wage differentials in the case of Japan, which starts from primary metal industries and descends in the order of transportation machinery, chemical goods, paper, etc. down to textile and clothing, is, with a few exceptions such as woodcraft and leather, generally similar to that of Great Britain. As it is in the case of per capita earning of establishments, however, the margin between the highest and the lowest wage differentials in Britain is 36% whilst it is 63% in Japan. In both countries the margin of wage differentials is smaller than that of the per capita earning of establishments, but insofar as the margin between the two countries is concerned, Japan is twice as much as Britain, which is almost same as in the case of per capita establishment earning. When considering the leader in actual amount of wages, it is merely two-thirds of the corresponding figure of Great Britain. This points to the fact that the lowest wages in Japan are conspicuously low. Moreover, in the case of wage differentials classified by size of business, the margin between the largest and the 10-29 persons in size is 54% in Japan, which is 3.5 times as much as the 16% for Great Britain. This divergence of wage by size of establishment between the two countries, although smaller than that in per capita establishment earning by size where Japan has 6 fold differential, may be considered large when compared with the divergence of wage between Japan and Great Britain by field of industries, in which Japan's divergence is a little less than twice as much.

Another remark should be added to the above analysis. Namely, nevertheless such a wide margin in the size of business there still exist a large number of small scale businesses in Japan as shown in Table VII.

It is natural in any country that small size be dominant in number of establishments. In Great Britain, for instance, establishments which employ less than 50 workers account for 82% of the total establishments. However coming to the total number of workers in these establishments employing less than 50 workers, we find they account for only 15%. In the case of Japan, the number of establishments on a similar size accounts for 97%, while the number of persons accounts for nearly 51% of the total number. Hence it should be pointed out that in Japan there is not only a wide divergence in the size of business, but also these small size establishments which have low wage and earning differentials cover a wide range in the structure of establishments.

In a sense this wide divergence in the per capita earning of establishments classified by fields of industry is understandable, since it is merely a result of a direct comparison of per capita earning, neglecting the percentage of fixed capital in each field. This is also applicable to a certain degree to the size. Moreover, these figures themselves signify only the divergence in the wages and per capita earning, and do not in any way show how these figures represent qualitative relations between large and small size businesses. Nevertheless, it is still possible

Table VII
Comparison between Size of Establishments in Japan (1952)
and Great Britain (1949)

(Percentage)

Scale		Number of Establishments		Number of Engaged persons	
Japan	Britain	Japan	Britain	Japan	Britain
~3	~10	57.8	57.6	10.3	4.9
4~9	11~24	21.4	12.7	11.0	3.1
10~19		11.4		12.6	
20~49	25~49	6.5	11.2	15.8	7.2
50 ~ 99		1.6	7.8	9.0	10.0
100~199		0.7	5.0	7.6	12.9
200~499		0.4	3.5	10.2	19.9
500~999		0.1	1.0	6.8	13.1
1,000~		0.1	0.6	16.7	28.0
Total		100	100	100	100
(Actual number)		(398,403)	(137,232)	(4,815,000)	(7,464,000)

Note: Source: same as for Table VI

to say that this wider divergence between large and small businesses than in Great Britain suggests the existence of certain qualitative demarcation lines between large and small businesses in general in Japan.

V

Let us now proceed to commerce which holds another important position among small-medium enterprises.

It has been pointed out by Colin Clark that in Western countries an increase in the working population engaged in tertiary industries is a reflection of an increase in the national income, whereas in Japan the largeness of the commercial population is not attributable to such cause. It is true the great commercial population in Japan comprises something which would not conform with economic advancement.

Just as in the case of manufacturing industries, the statistics on commerce published for 1952 made possible a rough delineation of the scale of this vast field. Table VIII shows the number of persons engaged, number of shops (wholesale and retail) and the amount of proceeds, classified by three groups: corporation; private shops with paid employees, and private shops operated only by the entrepreneur himself or his family members.

The above table shows that short of 1.07 million concerns or 79% out of

Table VIII
Structure of Persons Engaged in Commerce

Type of Business		Number of Persons			Nnmber of Shops	Monthly Proceeds (100,000,000 yen)
		Entrepreneur, Officers, etc.	Family Workers	Employee		
Actual Figuer	Corporations	268,633		888,935	280,453	626
	Private concerns	129,357	115,081	319,645		
	with paid employee without paid employee					
	Total	1,022,110	794,673		1,067,346	80
Percentage	Corporations	1,420,100	909,754	1,208,580	1,347,799	706
	private concerns	7.6		25.0	20.8	88.2
	with paid employee without paid employee	3.7	3.2	9.1		
	Total	28.9	22.4		79.2	11.8
Percentage	Corporations	40.2	25.6	34.1	100.0	100.0
	Private concerns	23.2		76.8		
	with paid employee without paid employee	23.0	20.4	56.6		
	Total	56.3	43.7		100.0	
		40.2	25.6	34.1	100.0	100.0

Source : Census of Commerce,
1952, Vol. I.

Source : Census of Commerce, 1952, Vol. I.

short of 1.35 million concerns are small shops operated only by entrepreneurs and their families without employing any paid workers. Although the number of persons engaged in this kind of business accounts for 51% of all those engaged in commerce inclusive of entrepreneurs, officers, family workers, and paid employees, the amount of proceeds of these small scale concerns accounts for only 11%. It is a well known fact that these shops are operated on an extremely meagre economic basis, not even separating family accounts and business accounts. Table IX shows the number of private shops without employing paid workers.

Table IX
Scale of Private Shops without paid Employee

Number of Shops classified by Number of engaged persons		Number of Shops classified by Amount of Proceeds	
No. of persons engaged regularly	No. of Shops	Monthly amount of Proceeds (10,000 yen)	No. of Shops
		~5	621,112
1	471,118	5~10	221,148
2	474,251	10~15	88,257
3	97,846	15~20	49,926
4	19,438	20~25	26,459
5~9	4,641	25~30	14,550
10~	52	30~40	20,369
		40~50	9,070
		50~100	13,094
		100~	3,361

Note: 1. Source: Census of Commerce, Vol. I, pp. 203 ff.

2. The Amount of Proceeds is for August 1952

classified by the number of engaged persons and by the amount of proceeds.

As shown in the above table, number of shops with only 1 and 2 persons account for almost half and the rest are mainly those operated with 3 persons. As to the amount of proceeds, shops with less than ¥50,000 account for 60% and those with ¥50,000-100,000 account for another 20%. It should be noted, however, that the figures present those for August which is generally considered to be a month of low tide of business. Viewing this from the kinds of business, foodstuff retailers occupy approximately half; "draperies and kimonos", "footwear", and "haberdashery" account for 12%; and the rest are "cigarettes", "books and stationery", "bicycles", etc. It is not easy to get at the net income of these shops owing to their different business conditions, but it is not difficult to imagine how much it would come to with monthly proceeds of less than ¥-50,000. From

Table X
Number of Private Shops with paid employees and Corporated Shops

Size by No. of Persons Engaged regularly	Actual Figures			Percentage		
	No. of Shops	Monthly Cumulative No. of paid employees (1,000 persons)	Yearly Proceeds (100,000,000 yen)	No. of Shops	No. of employees	Proceeds
	280,457	13,496	70,659	100.0	100.0	100.0
1~4	161,635	2,782	6,962	57.5	20.6	9.9
5~9	85,939	3,867	12,793	30.6	28.8	18.1
10~19	24,316	2,779	13,528	8.7	20.6	19.2
20~29	4,627	1,054	6,396	1.7	7.8	9.1
30~49	2,350	882	6,773	0.9	6.5	9.6
50~	1,586	2,129	24,205	0.6	15.8	34.1
Seale by Yearly Proceeds (1000 yen)	No. of Shops	No. of Regularly Engaged Persons (1,000 persons)	Yearly Proceeds (100,000,000 yen)	No. of Shops	No. of persons	Proceeds
	280,453	1,721	70,659	100.0	100.0	100.0
~1,000	57,736	186	287	20.6	10.8	0.4
1,000~2,500	58,008	224	969	20.7	13.0	1.4
2,500~5,000	49,806	227	1,794	17.8	13.2	2.6
5,000~10,000	44,473	241	3,174	15.8	14.0	4.5
10,000~	70,430	842	64,434	25.1	49.0	91.0

Note: 1. Surce.: Census of Commerce 1952, Vol. I, pp. 87, 94

2. Regularly engaged persons include proprietor, family worker, paid corporate officer, paid regular employee.

these figures, it is evident that the majority of these family shops assume a character less of an enterprise than of a bare means of livelihood. Of course, the character of this meagreness is not simple since these shops comprise to a large degree such ones as side-jobs or odd-jobs done by family members for whatsoever earnings in order to cope with the insufficient income earned by the head of family.

Excluding the shops which have a character of a means of livelihood, however, the remainder, inclusive of those which have paid employees or shops on the legal status of corporation, are still reflective of meagreness as indicated in Table X.

Among 280,000 concerns, those with 4 engaged persons or less account for 57%, whereas those with less than 9 persons account for another 30. Moreover, differing from manufacturing industry, only 20% of the number of paid employees (not that of all persons engaged) are in the less-than-4-persons group and another

28% in the less-than-9-person shops. As to the amount of proceeds, the less-than-9-person group accounts for another 18%. In view of the fact that the number of persons engaged exceeds that of paid employees and the ratio of those engaged other than paid employees increases in inverse proportion to the size, the percentage can be calculated not on the basis of the number of paid employees but on that of the number of engaged persons. In this case the ratio of the number of engaged persons in small scale private shops would be much higher, resulting in divergence between the ratio of the number of persons by size and that by scale of proceeds. In other words, this in turn would bring the per capita amount of proceeds of small scale private concerns far lower.

When these shops (Table X) are classified in terms of the amount of proceeds, the number of shops which earn yearly proceeds of less than 1 million yen account for 20% and those with 1 million to 2.5 million yen proceeds account for another 20%; the number of persons engaged in these two groups account for 24% of the total number of engaged persons, whereas the proceeds of these shops account for barely 1.8%. Since 90% of the total proceeds are occupied by large scale shops in the more-than-¥10,000,000 group which account for 25% of the total number of shops and 50% of the total number of engaged persons, it would turn out that more than one half of all the person are engaged in other establishments which total 2.1 million in number of shops and account for 75% of the total number of concerns, earning only for less than 10% of the total proceeds. Calculating this on the basis of per capita monthly proceeds, the meagreness of these small scale shops becomes conspicuous.

These overall observations would be insufficient in the field of commerce, since there is a great divergence in the number of persons engaged and the amount of proceeds between wholesalers and retailers. Though wholesalers, looking at the number of shops, are only 140,000 in number or 10% of the 1.35 million total number of shops, they account for 24% in the number of engaged persons and 77% in the monthly proceeds. Hence it is necessary to inspect them separately.

According to the table XI, whoesalers with fewer than 4 engaged persons account for 61% of some 140,000 shops, and the average number of persons per shop is 6. The monthly per capita proceeds amount to approximately ¥650,000. In view of the fact that this amount is almost equal to the per capita monthly proceeds of the large scale shops with yearly proceeds of over ¥10,000,000 shown in Table X, it may be said that wholesalers are on a much higher level in the matter of proceeds than ordinary retailers.

Let us next take up retail shops which are also subject to variation in the type of business. Department stores would be one kind of business playing a unique role in that field. Table XII shows the structure of seven kinds of retail dealers.

With' the exception of two types of business—the various-kinds-of-goods dealers (represented by department stores) and petroleum and oil dealers—small size shops with 4 persons or less account for 90 to 90% of all shops in each field.

Table XI
Structure of Wholesale Trade

		General Wholesalers	Special Wholesalers	Total
Number of Shops		131,152	10,305	141,457
Percentage of Shops by Size (Number of en- gaged persons)	1~4	59.0	90.3	61.2
	5~9	26.0	5.4	24.6
	10~19	10.8	2.7	10.2
	20~29	2.2	0.8	2.1
	30~49	1.2	0.4	1.1
	50~	0.8	0.4	0.8
Number of Persons engaged		822,987	26,479	849,466
Number of Persons per Shop		6.3	2.6	6.0
Monthly proceeds (1,000,000 yen)		548,931	1,584	550,515
Monthly Per capita proceeds (1,000 yen)		667	60	648

Note: 1. Source: Census of Commerce (1952) Vol. II, Pp. 2-4.

2. Proceeds are for August 1952.

3. "Special Wholesalers" refers to agents, brokers, collecting agents for agricultural products, etc.

Consequently, the average number of persons per shop comes to 4.5 at the maximum and 2.2 when the average of all types of business is taken (Here again, the various kinds-of-goods dealers are exceptional, having 14 persons per shop). All this will again point to the meagre size of these retail dealers.

As to the monthly proceeds per person engaged, the figures for the various-kinds-of-goods dealers and petroleum and oil dealers, which amount to ¥170,000 and ¥300,000 respectively, are rather exceptional. Most of others range between ¥27,000 and ¥70,000, the average of all being to ¥58,000. In any case, these figures depict nothing but the extreme meagreness of these retail dealers.

It is now clear from the above analysis that the bulk of retailers in Japan, with their great variation in type of business, are conspicuously paltry and weak.

Let us refer back to Table VIII and look at it from another aspect, namely, the type of employment. The structure of personnel in the field of commerce is characterized by the importance of family workers. Out of the 3.54 million person engaged in 1.34 million establishments, 34% are paid employees, 25.6% family workers, and 40.2% entrepreneurs and officers of corporations. This high rate of family workers is almost equal to that in agriculture. Moreover, since the officers of corporations who account for 7.6% of all engaged persons are included in the 40.2% ratio stated above, the remainder of a short 33% are

Table XII
Structure of Retail Dealers

	No. of Shops	Total	Various kinds of Goods	Drapery, Clothing & Accessories	Food-Stuffs	Restaurants	Road Transport Machinery	Petroleum and Oil	Others
	No. of Shops	1,206,342	5,924	154,474	548,753	128,614	30,376	21.20	338,081
	engaged persons								
	1~4	94.31	63.15	91.68	96.61	85.65	96.52	66.93	95.52
	5~9	4.63	24.58	6.63	3.02	11.68	2.60	23.73	3.41
	10~19	0.82	6.75	1.38	0.31	2.10	0.61	7.31	0.79
	20~29	0.14	1.64	0.19	0.03	0.33	0.11	1.65	0.17
	30~49	0.06	0.93	0.08	0.02	0.15	0.05	0.24	0.08
	50~	0.04	2.95	0.04	0.01	0.09	0.11	0.14	0.03
	No. of Persons engaged	2,688,963	82,818	374,580	1,102,683	379,267	57,607	9,612	682,399
	No. of Persons per Shops	2.2	14.0	2.4	2.0	3.0	1.9	4.5	2.0
	Monthly Proceeds (Million yen)	155,958	14,440	22,371	64,772	10,248	4,043	2,887	37,194
	Per capita Proceeds (1,000 yen)	58	174	60	59	27	70	300	55

Note: Source: 1. Census of Commerce 1952, Vol. 11, pp. 5-8.
2. Proceeds are for August 1952.

entrepreneurs engaged in retail business. This 33% in turn includes entrepreneurs who are employers accounting for 4% of the whole population engaged in retail business. This brings other entrepreneurs who are not employers to 29% of all retail business people. In short, the last group are entrepreneurs who work themselves alone or together with family workers. The first group of entrepreneurs namely, those who are employers, are by no means pure employers since a great many of them work with the other paid workers, as may be seen from the structure of commerce stated before. What is important to note here is that entrepreneurs in this case are those who exist in close combination with family workers and not those who hold a position of a modern employer of wage workers. In contrast with modern wage workers who carry on the social function of "pure labour", family workers are a restricted, old, and unproductive type of labour, unable to pursue freely economic rules. Such entrepreneurs who have to depend upon family labour can only exist on the basis of old labour relations peculiar to family labour. Hence they are under similar social and economic restraints as those of family labour, and are consequently unable to develop themselves rationally in the modern economic society. They are, in other words, far from being the economic man furthering economic develop-

Table XIII
Wage Differentials by size of shops in Commerce

1~4 persons engaged	38
5~9	44
10~19	54
20~29	63
30~49	72
50~	100

Note: 1. Source: Census of Commerce 1952, Vol. II.

2. Indices are obtained by dividing the amount of wages by the monthly cumulative number of paid workers, with the figures for the more-than-50-person group set at 100.

ment based on the laws of economy, and that is the main reason why they have hang low on an extremely low economic level. The fact that such entrepreneur and family labour account for 58.2% of the total persons in commerce is a direct proof of the backwardness of commerce as employment market. Such entrepreneur-family labour is 100% of shops by family workers and is also 43.4% of persons engaged in private shops with employed workers.

There are also other problems. The pressure of such entrepreneur-family labour would naturally have impact upon the conditions and character of wage labour in the same field. There is a tendency for such wage labour, as is in the case of small scale manufacturing industries, to lack in self-organizing power, and consequently, to be placed under extremely poor conditions as unfree labour, bound by the family labour. The low wages are one evidence of this tendency

Let us look briefly, in Table XIII, at the average wage indices of wholesale and retail concerns which are incorporated or which employ paid workers, classified by number of engaged persons.

Against the average wages of the more-than-50-person group which consists chiefly of the wholesale dealers and corporations, the average wages of the less-than-10-person group show an index of 44, while that of the less-than-4-person group is merely 38. The margin between large scale establishments, namely between the more-than-50-person group which is the leader and the second largest in size is already as wide as 100 : 72. It should be noted, however, that large scale establishments which would fall into the more-than-50-person category would naturally employ persons who have received higher education, as in the case of a foreign trading company, and would consequently make the margin of wages wider.

These differentials by average figures of all the wholesale and retail dealers, however, would turn out to be almost the same even if they were calculated sepa-

Table XIV

Wage Differentials by Size of shops in 6 Fields of Commerce

Size	Field		Field	
1~4 persons engaged	General Whole- salers	45	Foodstuffs	55
5~9		50		52
10~19		58		61
20~29		69		63
30~49		78		74
50~		100		100
1~4 persons engaged	Various kinds of Goods	37	Restaurants	41
5~9		42		57
10~19		51		74
20~29		64		85
30~49		71		99
50~		100		100
1~4 persons engaged	Drapery Clothing & Accessories	70	Road Transport Machinery	34
5~9		79		50
10~19		87		62
20~29		88		66
30~49		99		79
50~		100		100

Note: 1. Source: Census of Commerce 1952. 6 fields have been selected out of 9 fields.
2. Method of calculation ref. Table VIII.

rately within each field of commerce. Let us next look at the wage differentials by size of shops within different fields.

As shown in the table XIV, 4 fields—general wholesalers, various kinds of goods, road transportation machinery, and foodstuffs—conform to the trends seen in the previous table, namely, shown a wide margin between the highest and lowest indices, and a margin of 30% between the highest and the second highest. The average differential of the 6 fields is 100 : 41. The only exceptions are the differentials in the case of restaurants which hardly have any margin between the highest and the second highest, and that of drapery and clothing retail dealers, the differentials of which are 100 : 70. However when we compare the wages of the smallest scale group in these 6 fields, setting the average wages of the smallest scale (1—4 persons) among all commercial enterprises at 100, we shall find that general wholesalers would come to 127, foodstuffs 113, various kind of goods 101, drapery and clothing 87, road transportation machinery 77, and restaurants as low as 50. The differentials within drapery and clothing is apparently small, but with the above analysis it is clear that the level of wages within this kind of business are on the whole low. Similarly, restaurants show extremely low level among the small scale businesses as well as in the whole structure of retail trade. This indicates not only the fact that wages of retail dealers are on the whole low, but also that there exists a wide diversity in wage differentials between sizes of business, just as it was the case in manufacturing industries. These facts show again that same low labour conditions such as the “entrepreneur-worker” relationship are covering the wage workers situation.¹

VI

Because of limited space I am not able to make any further analysis. It would be evident, however, from what has been said before that small-medium enterprises in Japan comprising extremely small establishments are a group of enterprises which are not entirely free in a certain degree in order to follow economic laws as shown by the quality of workers engaged in commercial business. This gives rise to hosts of problems concerning small-medium enterprises. In other words, they are not just small and medium in size or small and medium in the sense as economic optimum.

As I have pointed out on several occasions,¹ Japanese capitalism, because of its backwardness—lack of power in raising and accumulating industrial capital—was compelled to create and develop unbalanced fields of production without weeding out old small businesses which existed at the time of the industrial revolution to the effect that it might establish a capitalistic system as early as possible. Again, the feudalistic economic character rooted in the structure of the reproduc-

¹ In general, these analysis must be compared with results shown in the Distribution Censuses in U. K., U.S, etc. I hope to try this comparison in another chance.

tion of labour power in Japan, through the form of low wages, made it possible for the industrial revolution to develop in such a way as to admit this dual structure in the Japanese national economy. It is true productivity in Japan would not have developed if it were not for the capitalized industrial fields which had been a driving force in developing modern productivity. This development, however, was unable to penetrate into the core of Japanese economy, and capitalization and its development in Japan always had to utilize and to go with those part of her economy which were left out of the capitalization. This historical structure and relationship was naturally carried on into the periods between the two World Wars. Japanese capitalism had to create new small-medium businesses in order to further its fields of production—namely, to grow the producers' good industries. Thus, small-medium enterprises in Japan which comprise time-honored handicraft, home industry, and traditional small enterprises existing together with newly created small-medium manufacturing factories equipped with more or less modern production facilities characterize Japanese economy and are a constituent element of the Japanese economy, side by side with the capitalist organisation which has monopoly at its apex. In short Japan has come to be known internationally as a "country of small-medium enterprises."

Although one may detect some change in the conditions of small-medium industries in Japan during these ten years, it seems that further formation of new small-medium businesses is structurally unavoidable in the future process of Japanese capitalistic system. The call for a self-sustaining economy is, concretely speaking, because of the lack of spontaneous accumulation of capital, a need for a positive and willful attempt to increase the fields of producers' goods industries. Japan has remarkably regained the power of raising and accumulating industrial capital, but it is not quite sufficient yet, as indicated by the figures on the structure of invested capital in key industries. The expansion of producers' goods industries should start under this state of conditions, but even in Japan a considerable amount of investment is necessary in order to achieve this course of progress shown as in the case of chemical industries. In these fields, however, the amount of labour directly employed is not as proportionately large as the amount of capital invested, although there may be a slight increase in the indirect employment. On the whole, a large part of the scanty capital would be absorbed by the fields of industry which are deemed necessary for establishing a self-sustaining economy and for raising the standard of productivity. This in turn would result in relatively small supply of capital to other fields, especially to wage goods industries. Unquestionably, enterprises with low capital per labour unit are for the most part small enterprises. Moreover, this creation of small-

¹ Cf. my book "Chusho Kogyo no Honshitsu to Tenkai—Kokumin Keizai Kozo Mujun no Ichi Kenkyu" (Nature and Development of Small-Medium Manufacturing Industries—A Study of a Contradiction in the Structure of the National Economy), 1949. See also my articles: "Japanese Small Industries during the Industrial Revolution", in the *Annals of the Hitotsubashi Academy*, Hitotsubashi Univ., Vol. II, No. 1, 1951; "Historical Sketch of Japanese Small-Medium Industries", Oct., 1955 prepared for The International House of Japan, Inc., Tokyo (this paper is about to be published by the Division of Economics & commerce, the Science Council of Japan, as one of its economic series).

medium enterprises as a product of the capital's attempt to raise the productivity is directly connected with the problem of the pressure of the present productive age population. The gap between the supply of funds and labour becomes aggravated. Hence, this adds to the conditions conducive to the formation of small-medium enterprises. It is thus that small-medium enterprises will spring out of the structural conditions of the national economy, irrespective rather optimum size conditions.

The poor conditions of small-medium businesses are even now dragging workers into potential unemployment.¹ The extreme wage and earning differentials are evident proofs of this. Such small-medium businesses have, in spite of their appearance to be enterprise, many an aspect which are contradictory to the rules of economy in various phases of management such as funds, accounts, selling, technique, administrative organization, etc. These difficulties which rise both from the interior and exterior of small-medium enterprises may have been able to be overlooked hitherto within Japanese capitalistic economic system. It would, however, be impossible now to overlook them in view of the labour forces which have now a fairly well organized trade union movement and which are under the pressure of extremely large growth of producing-age population. Agriculture which had been considered a largest reservoir for the latent unemployment during the period between the past two World Wars has now come to lose that function, and small-medium enterprises are taking its place as a center for the vast potential unemployed. This would naturally result not in decentralization of latent unemployment into rural districts but in concentration of latent unemployment in large cities, which in turn would aggravate labour unrest.

In conclusion we must admit that small-medium enterprises will endure along with, and will continue to further develop as a contradiction entwined around, the development of the Japanese capitalistic system.

¹ On the nature and existence of latent unemployment in Japan, see an analysis in my article, "On Latent Unemployment—An interpretation as an economic problem", in *the Annals of the Hitotsubashi Academy*, Hitotsubashi Univ., Vol. VI, No. 2, April, 1956.

THE TERRITORIAL PROBLEMS OF THE PEACE TREATY WITH JAPAN

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I. The Main Characteristics of the Peace Treaty with Japan

The Peace Treaty with Japan was concluded at the San-Francisco Conference on September 8, 1951. The main characteristics of this treaty are the following.

(A) Perfect Victory of the Allied Powers

The so-called unconditional surrender of Japan brought forth the main features of the Peace Treaty. Of course it is not technically correct to say that Japan made an unconditional surrender. Japan only accepted the Potsdam Declaration unconditionally. But, by signing the Instrument of Surrender on September, 2, 1945, the Japanese Government became subject to the Supreme Commander for the Allied Powers who would take such steps as he deemed proper to effectuate the terms of surrender. Consequently, it is quite understandable that the Supreme Commander for the Allied Powers (SCAP) did everything that he could in Japan. The Peace Treaty with Japan is the final inventory of the occupation policy of six years.

In order to interpret the Peace Treaty with Japan, we should at first recall the Cairo Declaration, the Potsdam Declaration, and even the Yalta Agreement. The Cairo Declaration and the Potsdam Declaration are not only the conditions of armistice, but also the conditions of peace. In some respects, these two declarations are the combination of the capitulation of armistice and the treaty of peace, preliminary and final.

As for the Yalta Agreement, the United States dislike to say that it is still applicable to her. But the Yalta Agreement is an international convention between the United States, Great Britain and Soviet Russia. Internationally, it does not bind Japan, but it is binding to the United States.

Next, we must know the unilateral dispositions which the Allied Powers had done during the occupation period. By the order of the Supreme Commander for the Allied Powers, Japan had already executed some articles of the Potsdam Declaration.

Third, the Peace Treaty with Japan was written by the Allied Powers, especially by the United States. Mr. John Foster Dulles was the main scenario-writer. This treaty is not the treaty of negotiation. The peace with Japan is a dictated peace. Therefore the peace treaty with Japan does not belong to

the usual kind of international contracts, but rather resembles to a *contrat d'adhésion* of the French legal system. As a result, the intentions of the Allied Powers, above all the will of the scenario-writer, Mr. Dulles, will prevail when we want to understand the treaty. At the same time, when in ambiguity, this treaty must be interpreted favourably to Japan. *In dubio pro leo (mitius)*. Its reason is this: "Whatever the victors wanted to do for themselves, all could be drawn up in the peace treaty by them."

(B) Treaty of reconciliation and reliance

John Foster Dulles, the scenario-writer of the Peace Treaty with Japan, made a speech at the Whittier University on March 31, 1951, and said as follows: "In conclusion, this peace will be a peace of reconciliation...and of reliance." At the San-Francisco Conference, on September 5, 1951, Mr. Dulles said again as follows: "The nations will here make a peace of justice, not a peace of vengeance. ...The treaty remains, as first agreed, a non-punitive, non-discriminatory treaty, which will restore Japan to dignity, equality and opportunity in the family of nations."

The Peace Treaty with Japan inserted the following paragraph in Article I: "The Allied Powers recognize the full sovereignty of the Japanese people over Japan and its territorial waters". And it is lacking of the clauses of war responsibility and of human rights. It did not stipulate the limitation of armaments and the international inspection, which originally had been expected to appear. Further, it was not the peace treaty but the Japan-America Security treaty that had set up the international military servitudes in Japan.

(C) Separate Peace

The peace with Japan is not a total peace but a separate peace. Needless to say, the Peace Treaty with Japan was signed by the majority of the Allied Powers and of the United Nations. On the other hand China was not invited at the San-Francisco Conference. India, Burma and Yugoslavia were invited but did not send their delegates to the Conference. Soviet Russia took an active part in the preliminary peace negotiation and was represented at the Conference, but they did refuse to sign the treaty. In addition, Indonesia still has not ratified the peace treaty, while the Philippines postponed it until July, 1956.

II. *The Main Characteristics of the Territory*

Clauses of the Peace Treaty with Japan

The territory of New Japan was finally determined by Article 2 and 3 of the Peace Treaty, the main characteristics of which were the following three.

(A) No aggrandizement, territorial or other

The Atlantic Charter, August 14, 1941, proclaimed as follows: "First, their countries seek no aggrandizement, territorial or other; "Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned; "Third, they respect the rights of all peoples to choose

the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them."

This principle of no aggrandizement was confirmed by the Declaration of the United Nations, January 1, 1952.

Again this principle was affirmed by the Cairo Declaration as follows: "They covet no gain for themselves and have no thought of territorial expansion." And the Potsdam Declaration stipulated the execution of the terms of the Cairo Declaration.

It is of no doubt that the Potsdam Declaration established the territorial limits of new Japan in a concrete way as follows: "...Japanese sovereignty shall be limited to the islands of Honshu, Hokkaido, Kyushu, Shikoku and such minor islands as we determine." When the Allied Powers may determine the limits of minor outlying islands to be kept to Japan, they should be expected to respect the principle of no aggrandizement. Generally speaking, the territory clauses of the Peace Treaty were drawn in accordance with the Cairo Declaration and the Potsdam Declaration. But there were two exceptional cases, namely (1) the Okinawa and Ogasawara Islands, and (2) the Kurile Islands. These Islands originally belonged to Japan; they were not stolen or taken by violence and greed from other countries. These two cases, deviated from the principle of no aggrandizement, came from the Yalta Agreement and the strategic policy of the United States.

(B) Acquiescence of the *Fait accompli* done by the Allied Powers

The Potsdam Declaration is not only the surrender terms, but also the peace terms. By accepting the Instrument of Surrender, Japan has been in a position to acquiesce the territorial dispositions prior to the termination of war made by the Allied Powers. The Allied Powers had full power to make decisions in accordance with the Cairo Declaration and the Potsdam Declaration.

As for Korea, there are two established governments. In the southern part of Korea, the Republic of Korea (Dai Kan Min Koku) was set up on August 15, 1948. On the other hand, the People's Republic of Korea (Chosen Minshu Jinmin Kyowakoku) declared its independence on September 7, 1948.

Just after Japan's surrender, China began to recover Formosa and the Pescadores. On August 29, 1945, General Marshall Chiang Chieh-shih (Chiang Kai-shek) appointed the Governor of Formosa, on September 20, issued the Regulations of Organization to govern Formosa, and on October 25, the gala ceremony of restoring Formosa was held. Unilaterally China completed the national measures of the cession of Formosa in the fall of 1945.

The United States proposed the Pacific Islands, formerly under mandate to Japan, to the United Nations to place under its trusteeship system. The Security Council accepted the agreement of trusteeship concerning the said Pacific Islands on April 2, 1947, and this agreement became effective by the acceptance by the United States, on July 18, 1947.

Lastly, Soviet Russia had a good excuse to unilaterally annex Sakhalin and

the Kurile Island on the grounds of the Yalta Agreement. On February 3, 1946, U.S.S.R. declared formally the annexation of Sakhalin and the Kurile Islands.

I don't know whether the above-mentioned actions of the Allied Powers were all strictly in accordance with the Cairo Declaration and the Potsdam Declaration or not. But Japan was forced in every instance to acquiesce those actions and finally accepted the territory clauses of the Peace Treaty as a whole.

(C) Uncertainty of Territorial Dispositions

The Territory clauses of the Peace Treaty with Japan left some territories in an indeterminate status.

While those indeterminate territories were in fact transferred already to the hands of the Allied Powers and Korea, legally some uncertainties are still remaining. These uncertainties have come from the separate peace by the Allied Powers and the changes of international situations after Japan's surrender.

Japan had renounced all right, title and claim to Korea, including the Islands of Quelpart, Port Hamilton and Dagelet. But there are two governments in Korea now. Which government would be the true successor of the right renounced by Japan? This is the first question.

Japan had renounced all right, title and claim to Formosa and the Pescadores. But there are two governments in China now. Which government would be the true successor of the right renounced by Japan? This is the second question.

Japan had renounced all right, title and claim to the Kurile Islands and to the southern part of Sakhalin. But Soviet Russia did not sign the Peace Treaty. Who is the beneficiary of the right which Japan renounced? The Peace Treaty with Japan did not give the geographical limitation of the Kurile Islands. Are the islands of Habomae and Shikotan included in the Kurile Islands? Are the Japanese people able to restore the southern parts of the Kurile islands, Etroep and Kunashiri? These are the third questions.

Japan accepted in advance the coming proposal of the United States to the United Nations to place under its trusteeship the Okinawa Islands and the Ogasawara Islands. But the United States will not be able to get the acceptance of the Soviet Union at the Security Council for her proposal. The United States wants to hold the Okinawa Islands and the Ogasawara Islands as military bases. What is the legal nature of the temporary occupation of the Okinawa Islands and the Ogasawara Islands by the United States? This is the fourth question.

III. *Four Territorial Problems of the Peace Treaty with Japan*

There are main territorial problems before Japan to-day. Let us explain them in detail.

(A) Korea

As you know, there are two governments in Korea to-day. One is the Republic of Korea (Dai Kan Min Koku) of the southern portion, and the other is

the People's Republic of Korea (Chosen Minshu Jinmin Kyowakoku) of the northern portion. Korea was not a co-belligerent of the United Nations, but a part of Japan, during the war. Therefore newly independent Korea was not invited at the San-Francisco Conference. But Korea shall be entitled to the benefits of Article 2 of the Peace Treaty, according to Article 21 of the Peace Treaty. Consequently, Korea acquired the territorial rights without negotiating with Japan. But the Peace Treaty did not stipulate "Which Government is the true successor of the right renounced by Japan?" or "Where is the boundary of Korea?"

According to my opinion, each Korean government should be entitled to the benefits of Article 2 of the Peace Treaty under the existing circumstances at the date of April 28, 1952, when the Peace Treaty with Japan became effective. And Japan renounced all territorial rights to Korea to the extent of which Japanese Governor of Korea had administered at the date of September 2, 1945, when Japan had accepted the Instrument of Surrender.

There is the problem of Takeshima between Japan and Korea which the latter has claimed and possessed since January 18, 1952. This is the boundary dispute concerning the interpretation of the Peace Treaty. But Korea is not a party to the Peace Treaty, so that the Article 22 of the Peace Treaty is technically not applicable.

On October 28, 1954, the Republic of Korea officially rejected a Japanese proposal to bring the dispute over Takeshima island for adjudication by The Hague International Court of Justice.

The Takeshima question first arose on January 18, 1952, when Republic of Korea President Syngman Rhee proclaimed the so-called "Rhee Line." In this proclamation, he claimed Korean rights over all islands, waters, the sea-bed and sub-soil inside the Rhee Line. Takeshima island was claimed to be within this unilaterally imposed zone. The Japanese Government on January 28, 1952 protested the Seoul proclamation of the Rhee Line and especially insisted that Takeshima island was sovereign Japanese territory.

Since then, both countries have exchanged several notes on the dispute without succeeding in breaking the deadlock. Seeing no prospect of a settlement in sight, the Japanese Government recently proposed to bring the dispute before the World Court. But this procedure the Republic of Korea also refused and appeared to be unwilling to negotiate a peaceful settlement. Whereas Japan proposed to resort to settlement by international law experts, the Republic of Korea tried to establish an accomplished fact by force.

Japan has historical evidence to prove that Takeshima is a part of Japanese territory. And according to international law, there is no question of the Japanese claim over the island.

Called the Liancourt Rocks on world atlases, Takeshima lies 86 nautical miles northwest of Oki island off Japan's Shimane prefecture. It is composed of two small islands and several rocky islands. It was known in Japan since several centuries ago that there were two islands, Matsushima and Takeshima, northwest of Oki island. In olden days, Takeshima was known by the Japanese as Matsu-

shima and was claimed as a part of Japanese territory. Takeshima was also used as a navigation and fishing point by the Japanese. In the days of the Shogun Iemitsu Tokugawa, administration over the island was given to the Lords of Yonago. Japanese boats going to the Dagelet islands always used Takeshima as a stopover point, and Japanese fishermen even went to Takeshima itself to fish.

Extant historical documents which were written during the Tokugawa Shogunate to this day support the Japanese claim. There is also a map of the island made during the period 1716-1735 on orders of the Shogunate. This map, belonging to the Ikeda Family, rulers of Shimane, was made after an actual survey of the island.

The Republic of Korea, on the other hand, has no documents or maps to prove that Koreans had used or even known about this island hundreds of years ago as the Japanese did. The Republic of Korea has only documents referring to Dagelet island whereas she has no historical evidence of her claim over Takeshima which lies 49 miles from Dagelet. And even Dagelet island was more or less ignored by Korea since the days of the Rhee dynasty. Common sense will tell us, therefore, that Korea could not possibly have administered Takeshima.

It was in 1905 that Japan formally took over possession of Takeshima according to processes required by international law. Incorporation of Takeshima island as sovereign Japanese territory was decided by the Japanese cabinet on January 28, 1905, and on February 22 of the same year, Shimane prefecture publicly announced the incorporation of the island as an administrative part of Oki island. This incorporation fully conformed with modern international law.

It was not an illegal annexation. Japan had known of this small island for centuries, she has used it first and later has charted it. She obviously had the basis to claim sovereign rights over the island.

In order to obtain international recognition, Japan had to establish administrative rights. In August 1905 Governor Takekichi Matsunaga of Shimane prefecture personally surveyed the island.

Earlier, on May 17, 1905, Takeshima was entered in official books as Japanese government property. On April 14 of the same year, Shimane prefecture licensed fishing in Takeshima waters, and the first license was given to one Yosaburo Nakai and three others. Fishing rights by Japanese was continued until the outbreak of the Pacific war in 1941, and annual rental for use of land was paid by the licensed fishermen to the government.

The above facts support continuous Japanese control of the island. The Japanese claim is also justified by international law.

The Republic of Korea in a note on February 12, 1952 pointed out that Takeshima was withdrawn from Japanese administration by order of the Supreme Commander for the Allied Powers on January 29, 1946 and also that the island was located outside the so-called MacArthur Line. These actions, the Republic of Korea declared in the note, supported its claim over the right.

The SCAP action was taken during the Allied Occupation of Japan and was not a permanent decision. The SCAP order specifically said that "nothing in

this directive shall be construed as the policy of the Allied Powers concerning the final decision on the ownership" of Takeshima.

The MacArthur Line only restricted the operational zones of Japanese fishermen and did not delineate the area of Japanese administrative rule. It did not even constitute the final decision on Japanese fishing grounds.

From all these facts, we can only say that the Republic of Korea took advantage of the abnormal post-war circumstances to take over Takeshima island from Japan.

Korean fishermen in recent years appeared in increasing numbers in Takeshima waters. Japanese patrol boats have gone to the area to keep an eye on violations, and have protested several times to Seoul. The Republic of Korea refused to budge from its adamant stand on the island. And in July, 1954, the Republic of Korea sent armed guards to the island and constructed a lighthouse in August. A radio tower and artillery have since been set up on the island by the Koreans.

The dispute, thus, sees no prospect of settlement. Here, I should like to cite the dispute between Britain and France over small islands in the English Channel. Those two nations submitted their dispute to The Hague Court, which, November, 1953, handed down a fair decision and the dispute was settled. These islands were occupied by the Germans during World War II; but despite the complicated situation, the World Court gave the island to Britain on the basis of historical evidence. This decision disproved that policies and actions taken during the abnormal conditions of wartime constitute a final decision on territorial rights.

The Japanese Government will continue to press for a peaceful settlement of the Takeshima dispute despite the Republic of Korea rejection of Japan's World Court bid.

(B) Formosa

There are two governments in China now. While the United States supports the Nationalist Government of China (Chiang Kai-Shek Regime), Great Britain and the Soviet Union recognize the People's Republic of China. Both governments of China were not invited at the San-Francisco Conference. According to the Cairo Declaration, it is understood that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China. But China is not a party to the Peace Treaty with Japan and shall not entitled *ipso jure* to the benefits of Article 2 of the Treaty which Japan renounced.

But Formosa and the Pescadores are not interpreted to have become "res nullius". These islands are expected to be restored to the Republic of China. China, as a state, is in a position to claim Formosa and the Pescadores. Under the present circumstances, we can find no suitable government to represent China. It is quite clear that Formosa and the Pescadores belong to China according to the Cairo Declaration. The territorial problem concerning Formosa and the Pescadores is the question of a government to represent China.

As for Japan, she recognized the Nationalist Government of China and concluded with her the Treaty of Peace on April 28, 1952. The exchange of instruments of ratifications of this Treaty of Peace took place at Taipei on August 5, 1952. According to Article 2 of the Treaty, it is recognized that Japan renounced all right, title and claim to Formosa and the Pescadores in favour of China. Japan is permitted to conclude such a bilateral Treaty of Peace according to Article 26 of the Peace Treaty with Japan.

(C) Sakhalin and the Kurile Islands

Sakhalin and the Kurile Islands originally belonged to Japan. Since the beginning of 18th century, the Japanese people had set up their economic establishments of fishing and wood-cutting at Sakhalin and the Kurile Islands and the Tycoon of the Tokugawa Government had ordered Lord Matsumae to administer these islands. It was only at the end of 18th century that the Russian Empire began to expand eastward and tried to extend their colonial interests over these islands. Thus the territorial disputes were occurred between Japan and this new-comer.

On February, 7, 1855, a treaty between Japan and Russia (Poutiatine's treaty) was concluded at Shimoda of Japan. It settled the boundary between Japan and Russia in regard to the Kuriles, giving to Japan the island of Etroep and to Russia the Kuriles north of the island. But the treaty made no division of Sakhalin, but treated it as a condominium. The status of Sakhalin as a condominium continued until 1875.

However, in a treaty signed May 7, 1875, between Japan and Russia, Japan secured to herself, in exchange for her rights in Sakhalin, the whole group of islands including Choumcheu at the northern tip of the insular chain. These historical facts here referred to are extremely important in interpreting the territory clauses of the Peace Treaty with Japan concerning the Kurile Islands.

During the Russo-Japanese war, the Japanese army occupied the whole parts of Sakhalin. But, according to the Portsmouth Treaty, 1905, Russia restored the northern part of Sakhalin without compensation and Japan gained the title to the southern part of her old island, Sakhalin. The new boundary was settled between Russia and Japan at N. 50'.

According to the war-time agreement of Yalta, the Soviet Union acquired the title to Sakhalin and the Kurile Islands. It stipulated as follows: "The Southern part of Sakhalin as well as the islands adjacent to it shall be returned to the Soviet Union...The Kurile Islands shall be handed over to the Soviet Union." On the other hand, the United States is insisting that, in order to be entitled to the territorial interests of the Peace Treaty, the Soviet Union must become a party to the Peace Treaty with Japan. But if the things are left long enough as they are, the *fait accompli* done by the Russian occupation is probable to become a prescriptive right.

Here I want to mention something about Habomae and Shikotan. It is of no doubt that the Islands of Habomae and Shikotan, geographically and legally, do not belong to the Kurile Islands. These are the essential parts

of Hokkaido. Accidentally, the Japanese defense forces surrendered to the Russian commander at the end of War II. But at the London Peace Conference between Japan and Russia, 1955, the Russian Delegate expressed their intention to return the Islands of Habomae and Shikotan to Japan.

Upon conclusion of the negotiations for normalization of Japanese-Soviet relations in Moscow on October 19, 1956, a Joint Declaration and a Protocol on trade were published. According to the 9th Article of the Joint Declaration, Japan and the Union of Soviet Socialist Republics agreed to continue their negotiations for the conclusion of a peace treaty after normal diplomatic relations had been reestablished between the two countries. The Union of Soviet Socialist Republics, in response to the desire of Japan and in consideration of her interests, agreed to transfer the Habomae Islands and the island of Shikotan to Japan, provided, however, that the actual transfer of these islands should be effected after the peace treaty between Japan and the Soviet Union was concluded.

At present the international status of the Kurile islands is not yet settled in a definite word. The Japanese people are eager to have the return of the southern part of the Kurile islands. The islands of Etroep and Kunashiri are supported to be originally the parts of Hokkaido (Yezo) by Poutiatine's treaty concluded at Shimoda, 1855. The United States Government also seconded the view of the Japanese Government concerning Etroep and Kunashiri.

(D) Okinawa and Ogasawara

Okinawa and Ogasawara originally belong to Japan. Japanese residual sovereignty to Okinawa and Ogasawara is recognized by the United States Government. At first Mr. Dulles proposed to place Okinawa and Ogasawara under the United Nations trusteeship system, with the United States as the sole administering authority. Dulles' proposal was strongly opposed by the Soviet Union and India. Russian memorandum to the United States dated November 23, 1950, stated as follows: "The Cairo Declaration and the Potsdam Declaration did not stipulate to take away Okinawa and Ogasawara from Japan's sovereignty, but declared no thought of territorial expansion." Indian message to the United States dated August 23, 1951, said as follows: "Okinawa and Ogasawara, which are not the territories acquired by aggression and whose inhabitants have their historical relations, are not suitable to place under the trusteeship and not to recognize the full sovereignty of Japan." Great Britain was supposed to have supported the Indian attitude in this respect. Then the conception of residual sovereignty to Okinawa and Ogasawara appeared in the conference. Thus the Peace Treaty came a little bit closer to the treaty of reconciliation and reliance.

The conception of residual sovereignty is borrowed from the conception of property of the Roman civil law, which recognizes the divisibility of property and the separation between proprietorship and beneficial enjoyment. The best example of residual sovereignty is the case of a leased territory. The sovereignty of the lessor state over the territory is more nominal than real. The actual possession belongs to the lessee state only. The residual sovereignty is not a right of possession to-day, but a right to possess to-morrow. It may tell a his-

torical title of yesterday's ownership, and means some possibilities of eventual recovery in the future. But, as long as the lease has not expired, it is the leaseholder who exercises sovereignty over the territory concerned.

As Japan technically is permitted to hold the residual sovereignty to Okinawa and Ogasawara, the inhabitants are still keeping their nationalities of Japan. But the residual sovereignty is quite a formal one and any Japanese law is not directly applicable. Only by the order of the American Occupation Authorities, the local laws, including the law of nationality, which prevailed at the time of Japan's surrender, were adopted to be effective there. Therefore the American Military law is solely predominant for all practical purposes. The United States has the right to exercise all and any powers of administration, legislation and jurisdiction over the territory and inhabitants of these islands. This is the peacetime military occupation by the United States, as a temporary measure.

The purpose of the United States to hold the islands of Okinawa and Ogasawara is surely for her military considerations. But the inhabitants of Okinawa are heavily suffering from the sacrifices and burdens of strategic necessities. The Tea-house of the August Moon is a humorous scene of Okinawa, but the actual conditions of Okinawa are much more miserable. Fortunately, the Amami Islands, the northern group of the Okinawa Islands, were returned to Japan on December 25, 1953. This fact of restoration will teach us that the residual sovereignty sometimes changes into the actual sovereignty. On the other hand, the return of the divided Okinawa would mean that the American Military Authorities do not want to give up the main group of the Okinawa Islands in the near future. The fate of Okinawa and Ogasawara essentially depends upon the wisdom and conscience of the people of the United States. No country could expect the goodwill and co-operation of its neighbours by the dictated peace and prolonged occupation.

ON CAPITAL PUNISHMENT

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Prefatory Remarks

The past two or three years have seen Japan for the second time the stage for a public debate on the retention or abolition of capital punishment. This represents the second time since the dawn in the Meiji era of modern legal thought. The latter-day reassertions of the arguments for abolition accompany the half-way Anglo-Americanization of the Criminal Procedure Code in Japan that has taken place since the war and have their origin in the increased difficulty of arriving at unequivocal interpretations of the facts of a case.

A criminal procedure which places over-emphasis upon the confession has of course a grave defect in that it is fraught with the danger of infringement upon human rights. When the confession is depended upon, however, and when there is no mis-identification of the offender in question, unequivocal elucidation becomes possible of even the minutest details of the facts of many a case. Against this it can be said that there are numerous advantages to be seen in the revised, post-war criminal procedure which under-emphasises the confession. In the absence of anyone who can compare to the principal for knowledge of the facts of a case, however, it is not possible to uncover the particulars constituting the crime nor the psychological turns involved without depending on the confession. In this lies the cause of "equivocal" findings. Fail to be unequivocal and you invite the public to voice suspicions of "Couldn't that have been a miscarriage of justice?" It is in this respect that with regard to a number of noted death sentence cases the public has repeatedly expressed doubts about whether there might not have been judicial error in fact-finding. These doubts are undoubtedly heightened also by irresponsible utterances of journalists and intentional propaganda through ideological channels with the result that there have been many who entertain doubts regarding these noted death sentence cases. Consequently there has been strong feeling along the lines of "We cannot put up with this sentencing people to death in error," and keen opposition has been voiced against capital punishment.

The abolition of the death penalty in Western Germany in 1953 and the adoption by the British House of Commons in 1956 of a motion for the abolition of the death penalty for one of the four capital offences (i.e. murder; this was erroneously reported to the Japanese people as the total abolition of the death penalty

in England) have stimulated the abolitionists in this country, especially the association headed by Dr. Akira Masaki. This association was organized shortly before the British adoption of the abolition of capital punishment and it began an active campaign toward the same end, culminating in the introduction of a bill for abolition before the House of Councillors in the same year (this bill was not passed). Such being the trend, scholars both for and against capital punishment have, together with the general public, participated in debates on the propriety of total abolition of capital punishment in newspapers and magazines, and over radio and television. I myself expressed my views as an expert through these four media of mass communication from the standpoint of a retentionist of the death penalty.

As the problem of the retention or abolition of capital punishment is, to my mind, a world-wide one, I will express some of my views on the subject here and will be happy to receive any suggestions or criticisms.

Main Subject

From the standpoint of reforming the convict, capital punishment has no significance whatsoever, since it deprives him of life. It cannot be denied, however, that capital punishment exercises an educational effect on the popular mind because of its powerful deterrent influence. Since this penalty destroys human life and we human beings have an instinctive attachment to life, the prior warning that such a punishment exists can serve importantly as an intimidation to criminals. The law, therefore, expects capital punishment to exert a powerful deterrent influence. It is also an indisputable fact that capital punishment definitely answers the purpose of segregating criminals from society.

However, it must be taken into consideration that there are influential arguments against the death penalty. Arguments against the death penalty are advanced from various points of view, but the principal considerations are the following:

- (1) In the event of judicial error, the consequences of capital punishment are irrevocable.
- (2) It is contrary to principles of humanity for a human being to deprive another of life.
- (3) Much deterrent effect cannot be expected from capital punishment (the term "intimidatory effect" is occasionally employed, but this belongs to a past age and is unsuitable now). Available data indicate that capital punishment has been abolished without any resulting increase in the crime rate.
- (4) Capital punishment has no reformatory or educational function.

These arguments, however, do not have sufficient basis for support.

First, it is true that the death penalty is irrevocable, but the irreparability of judicial error is not confined to the death sentence; any other punishment is

likewise more or less irrevocable. Since the course of life is irreversible, the fact that a person was, for instance, deprived of liberty for some time is absolutely irrevocable; it often happens, furthermore, that he is obliged to change the course of his life as a result. In this sense it is a fact that judicial error in the passing of the imprisonment sentence is also irrevocable. This is also true in the case of fines classified as the lightest of punishments: even this penalty might have adverse influences on the personal status and social position of the person on whom it was inflicted until his innocence is established and in certain circumstances might involve losses not retrievable for the rest of his life. Notwithstanding, in case of judicial error capital punishment brings graver results than any other penalty since this penalty destroys human life. Greater precaution should therefore be taken in sentencing a criminal to death, but it is not fair to say that only the death penalty is irreparable.

Of course judicial errors in passing sentences are undesirable, but since these are acts of human beings, it is inevitable that errors will sometimes be committed. This is not confined to the death sentence alone; there are possibilities for error in all judgments passed by human beings. It goes without saying that miscarriages of justice must be eradicated, but dealing with the problem by making generalizations out of rare judicial errors which were unavoidable in spite of the efforts of the judges results in a denial of the administration of criminal justice. The wisdom and intelligence of the human race is challenged with the problem of devising a judicial system which permits no errors.

Under the existing system, an error of justice is less liable to be committed in death penalty cases than in other cases, for both public procurators and judges take a more cautious attitude in the handling of death penalty cases; for example, regardless of the provisions of the Criminal Procedure Code reading "Request for reopening of procedure shall not have the effect of staying the execution of the penalty" (Article 442 of the Criminal Procedure Code), the execution of the death penalty is stayed in practice upon request for reopening of procedure (the very proviso of the Article). Moreover, in order to avoid error, the Code makes provisions for specially circumspect proceeding with regard to the execution of the death penalty (Article 475). It must not be forgotten that the dark feudal trials of the late middle ages still occurred in the period of enlightenment when the case against the death penalty was first voiced, and the error of justice in death penalty cases was a particularly serious issue under these social circumstances.

Again, there is a point more important from legal principles which is that to argue for or against the death penalty from the premises of judicial error is extremely immature. It is not to be overlooked that among criminal cases there are a good number in which there is no danger of committing error. As the prevention of the miscarriage of justice depends on judicial technique it should be treated as a problem concerning the entire judicial system. When we discuss the problem of the death penalty, we should take up a case in which there is clear evidence of the crime and no danger of misjudgment, and then discuss whether the sentence should be death or not.

Second, the view that capital punishment is contrary to the law of humanity is certainly important, but it is to a great extent sentimental in nature. Although human feelings must be taken into consideration as a basis for legislation, what the abolitionists call humanitarian sentiment does not represent sound human feeling. If the deprivation of a criminal's life by the death penalty is considered contrary to humanity, the deprivation of his liberty by imprisonment should be likewise considered contrary to it. Thus, it is inconceivable that full satisfaction would be afforded to the humanitarian theory if capital punishment should be substituted for with life imprisonment with no provision for release (this should not be understood to be the life imprisonment prescribed in the existing Criminal Law of Japan, under which a convict may be released after serving ten years of his sentence according to Article 28; recent statistics show that release is made after thirteen-odd years on the average). Another group of opponents of the death penalty oppose it on the grounds that the convict might suffer more under such a sentence than through the death penalty. To my thinking, the so-called humanitarian theory must be described as originating in the aversion which we feel to the deprivation of the life of a human being. Even he who may mercilessly destroy the life of other innocent animals is reluctant to take the life of his fellow-creature, chiefly because we human beings feel the greater aversion toward the death of a living thing the closer it is to us in its biological genealogy. It is perhaps because of this tendency of ours that we are able to escape committing murder. The sentimentalism in the so-called humanitarian theory is also rooted in this tendency and not in theoretical reasoning. Reason must go beyond instinct.

Available statistics on Japanese criminal justice in recent times reveal that a large majority of the offenders sentenced to death were persons guilty of robbery-and-murder (Article 240) and of robbery-rape-and-murder (Article 241). In Japan during the period of five years from 1950 to 1954, 185 persons were sentenced to death at the first trial, of whom 134 persons were sentenced to death for the former category and 6 were sentenced for the latter, making a total of 140 in all; in other words, about 88 percent of those sentenced to death are robbers who committed murder. These cases clearly show that almost all of the offenders took the lives of innocent persons who gave no reason whatsoever for being killed. They intimidated and destroyed the peace of innocent people and took lives as mercilessly as wild animals. Those who were sentenced to death for other offences were guilty of wrongs no less wicked than those of these criminals. To abolish capital punishment is exactly equivalent to enacting a law guaranteeing the lives of atrocious criminals at the sacrifice of the lives of innocent people. Is this in accord with justice and the law of humanity? First of all we must not forget that the death penalty is inflicted as an administration of justice. The administration of justice cannot be contrary to the law of humanity. Human life should be held in respect and the rights of the offender too should not be ignored. However, the view that the death penalty is contrary to humanity comes from a dogmatic, blind belief that life of one's own kind should not be taken

away. Those who advocate this view are advocating the humanitarian theory only for the criminals themselves, quite oblivious of the presence of the law-abiding citizens who suffer at the hands of these criminals.

The abolition of the death penalty guarantees the lives of the most brutal offenders and would on one hand enable them to swagger about without anxiety or fear, and on the other hand seriously endanger the policemen who fight against them as well as the jailors in charge of them. It would oblige the law-abiding citizen to tremble before dangerous persons running rampant assured of their own lives. Such cannot be regarded as humanitarian. There may, moreover, sometimes be occasions when a person who confronts a dangerous criminal is obliged to resort to emergency measures in defence of his own life. As a result, there would be that much more chance of an offender losing his life through the measures taken in self-defence by his victim or by policemen rather than by the execution of the death penalty. This creates danger for the offender himself. Those who assert the brutality of the death penalty or the risk attending the death penalty in cases of judicial error are concerned too much with the cases of dark trials of the past. The opponents to the death penalty in Japan often refer to the views of J. H. Pestalozzi, Feodor Destoevski and others as the grounds for their arguments, but when they do this they are oblivious of historical background and progress in judicial institutions.

A derivative form of the humanitarian theory, peculiar to postwar Japan, maintains as another basis for opposition to capital punishment the unconstitutionality of the death penalty. The main point of this contention is that the death penalty is in violation of Article 36 of the Constitution of Japan, which provides that "The infliction of torture and cruel punishments by any public officer are absolutely forbidden." Whether the death penalty executed even by one of the painless methods is equivalent to the cruel punishment stated in this Article is a matter of opinion so far as interpretations of the language are concerned. In my view, the Article affords no grounds for the interpretation that the intent of the Constitution is to abolish the death penalty which existed at the time of its enactment, regarding it as a cruel punishment, because the fact that the Article declares "cruel punishments are absolutely forbidden" and not "cruel punishments are abolished" makes it impossible to conclude that cruel punishments were necessarily felt to be in actual existence at the time. It can even be said that the Constitution approves the imposition of the penalty of depriving a person of life by procedure established by law: Article 31 provides that "No person shall be deprived of life or liberty, nor shall any other criminal penalty be imposed, except according to procedure established by law". The theory of the unconstitutionality of the death penalty does not hold true. The Supreme Court of Japan also held the death penalty constitutional in its decision of March 12, 1948 (Vol. 2 of the Criminal Reports of the Grand Bench of the Supreme Court, p. 191).

Third, if capital punishment has no deterrent effect there is obviously no justification for its retention, but denying its deterrent value is in the last analy-

sis only impracticable theorization. There are many concrete illustrations of men's attachment to life and numbers of episodes relating to criminals given death sentences. It is not right to attempt to disprove deterrent effect on the basis of rare exceptional instances. The statistical data referred to by the opponents of the death penalty which indicate that the death penalty has been abolished without any resulting increase in the crime rate furnish no negative evidence as to its deterrent operation, for instances have occurred in which atrocious crimes increased as a result of the abolition of the death penalty, and moreover, as the abolition of the death penalty is ordinarily carried out in such stable and peaceful times as are not adversely affected by such an action, it can be considered quite in the nature of things that the removal of capital punishment from the system should not be followed by an increase in crime. This situation may be compared to the application of medicines. Just because there are instances in which the suspension of medicine administered a convalescent invalid has had no ill effect on his condition, it does not mean that the general inefficacy of the medicine has been proved. On the other hand, in times when capital punishment is frequently imposed, the community is usually in an unsettled condition and there are destructive criminal trends that even the frequent use of capital punishment frequently fails to suppress. The deterrent power of the death penalty cannot, however, be denied for this reason. Even the most effective medicine cannot save the life of a patient whose condition is too advanced.

In addition to what I have already stated, there is another, psychological reason why the abolition of capital punishment does not cause such a rapid and marked increase of crime. Our feeling of hesitation in committing a crime is so deep-seated that it cannot be abruptly eradicated by a mere abolition of capital punishment. Even the most civilized people have a feeling of fear and horror toward a corpse though scientifically it is only a lump of matter. In the same way, though the humanization of the Emperor has been realized, there still remains a feeling of reverence toward him as toward a deity among the Japanese masses. Accordingly the removal of the prohibiting effect of severe penalties placed on certain acts does not result in an immediate rise in the number of such crimes. Therefore, though the abolition of the death penalty does not promote a rapid increase in crime, this is only natural, and to deny its deterrent value for this reason is to jump to conclusions too quickly. The "intimidatory effect," the common expression for this operation of the death penalty which we are today averse to, means nothing other than the deterrent influence of this punishment on crime. If it can be proved that the deterring power of the death penalty on crime is not greater than other penalties, it will apparently have no *raison d'être*. The scientific solution of the question of whether the death penalty is to be retained or abolished depends on the establishment of the proof of its deterrent power. If it should be clearly proved in the future that the death penalty has no deterrent influence on crime, we should give our whole-hearted support to the abolition of the institution. At present, however, there exist an abundance of definite instances showing grounds for crediting it with deterrent value, while

there are none which sufficiently justify a negative conclusion regarding the deterrent influence of the death penalty.

Although some thirteen crimes are punishable with death in the existing Criminal Code and other special laws, the one crime for which the only penalty is death is that of inducing foreign aggression upon the state of Japan (Article 81 of the Criminal Law) and even here the offender's life may be spared because provisions are made to mitigate the death penalty in cases of extenuating circumstances. If we pass legislation to abolish the death penalty, it will be nothing less than laying down a law assuring the most atrocious criminal of his life. It is impossible to assert that such legislation involves no risk of giving rise to crime. The existing law, which warns reprehensible criminals of a "legal possibility of sentencing to death," puts the court in a position to decide whether to sentence the criminal to death or not according to the circumstances of the case. But, if we go further than this and institute a law abolishing the death penalty, we go to such an extreme as to promulgate a law absolutely guaranteeing the lives of the most atrocious offenders. The current system should be said to be proper legislation, because on the one hand it expects the court to make a judicious use of capital punishment and on the other it exerts a psychological deterrent influence by warning potential criminals of the possibility of a death sentence.

Finally, capital punishment has, as the opponents of this penalty point out, no significance in respect to the reformation of the convict concerned. True, to be sure, but in my opinion punishment does not and should not aim to produce an educational effect on the convict alone. Thought must be given to the fact that there are cases where morality requires the offender to atone for his crime with his life. In sentencing a criminal to death, the state attempts to dispense justice on its authority, giving up the education of the individual criminal. It should not be ignored, however, that the death sentence exercises at the same time an educational effect on individuals of the community other than the condemned.

The proposition is made that a long term of imprisonment should be substituted for the death penalty and that the income from the labour of the condemned in prison should be appropriated to the indemnification of damages caused the victim. This seems to be a reasonable view, but it is worthy of little serious consideration for the bereaved family of the victim might be reluctant to receive an indemnity from the offender himself, and even if the income is first received into the Treasury as national income with the bereaved receiving an indemnity from the Treasury as state compensation, it would not go far toward bringing income to the state sufficient for such compensation since those sentenced to death are in a small minority.

From every standpoint, as I have pointed out, there is no justification for doing away with the death penalty immediately. Capital punishment should be retained. The arguments for and against capital punishment should be made with due consideration for prevailing social conditions. I do not adhere to the opinion that the death penalty should never be abolished even in the day of more

advanced civilization. On the other hand, at the present time in which our country is suffering from a crop of atrocious crimes, I cannot side with those who are ill-advised enough to attempt to abolish the death penalty. Some people hold the view that if the state abolishes the death penalty, which is itself an act of murder, people will come to realize the sacredness of human life and that as a consequence murder will disappear. This is nothing but an empty optimistic theory made in the name of civilization. To its advocates I should like to put this question "Can you then assert that if prisons are abolished, thieves will disappear?" The view which puts capital punishment inflicted by law in the same class with murder stems from a lack of clear understanding of values and justice. The problem of capital punishment should be studied and discussed in a more dispassionate atmosphere.

ON SOME CHARACTERISTICS OF MASS ENTERTAINMENT IN CONTEMPORARY JAPAN¹

A Social Psychological Aspect of Japanese Popular Songs and Films

By Hiroshi Minami

Assistant Professor of Psychology

I

Mass entertainment today cannot be considered apart from the context of communications, and any attempt to deal with the question of mass entertainment in Japan must accordingly begin with an inspection of the whole picture of mass communications in Japan. Mass communications is a product of the modern capitalist society and a thorough understanding of mass communications is essential to the understanding of the contemporary society.

Japanese society even now retains many remnants of feudalism and to attain an understanding of mass communications today it is necessary to know in what manner communication was effected prior to the establishment of the modern State.

Communications in their initial stages of development are an exchange within a circumscribed area between a limited number of individuals. The communicator and commicatee know each other by sight or are at least familiar with the facts of each other's status, residence, and occupation. The greater part of communications within a feudal society take this direct, closed form. They have not reached the stage of mass communications.

Together with this closed nature, communications within a feudal society is characterized by communications channels which mainly run down through social strata from top to bottom. A notice board put up at street corners in villages and towns when a feudal lord issues a directive is a method by which communications are literally channeled from the top—the authorities above—down to the masses. Thus, it is common within a feudal society that communications are channeled vertically from top to bottom and are given out in such an explicit manner as to enable the masses to grasp their contents.

The prevalence of vertical, direct communications in a society previous to the modern one is a reflection of human relations resulting from the system of social class and status peculiar to that society. In other words, members of a feudal society were vertically arranged according to their social status and larg-

¹ For an extensive study on the present status of mass entertainment in Japan see Hiroshi Minami, *Nihonjin no Goraku* (Mass Entertainment in Japan), 1955. Kawade, Tokyo.

scale communications were effected in the form of orders which were passed on from top to bottom (of social strata). Herein lies a social condition which accounts for the vertical nature of communications.

Furthermore, where communications are direct, communications mostly take the form of orders, whose purpose it is to get unconditional mass obedience. In order to achieve this end, communications are expressed in a direct, rather than round-about manner, which is all that is necessary to make the masses thoroughly understand their purport. The greater the authority is, the easier it is to enforce obedience on the masses by a direct, simple form of orders.

This vertical and direct nature has resulted in fine from the fact that communications were channeled from the authorities above to the masses, but, in rare cases, communications within a feudal society did go upward from the masses to the authorities above. Thus, communications within a feudal society can be said to have been one-way traffic for the most part.

Along with the closed, vertical and direct nature, communications within a feudal society were intermediary. By intermediary it is meant that the first communicator passes on a communication to the first communicatee, who in turn becomes the second communicator and transmits the communication to the second communicatee, a process in which communicators and communicatees receive and pass a communication down the line in turn. This relay of communications takes place under the following circumstances.

First, when communications are direct and channeled from top to bottom, the process usually involves relays of several communicators who function according to their social ranking. Here the vertical relay of communications is observed. Second, where communicatees, the masses, lack in the facility of understanding as they did in a feudal society, relay of communications naturally requires an easy, word-of-mouth device. For instance, in the Tokugawa Era, criminal sentences were pronounced in the form of a 'talk' with the offender and the official notice was transmitted to the entire village through their spokesman. Thus the necessity for relays in communication also comes from the conditions on the part of communicatees.

In summary, communications within a feudal society take a closed, vertical form, are direct in their expression, and form a chain of relays. These vertical, direct attributes and the system of relay gradually gave way in modern communications under the circumstances which are described below.

In modern capitalist society, the class structure of society shifted from the status-oriented order of a feudal society and the members of society have come to be arranged less strictly in order of their social status. In other words, while class opposition is based on the ownership of productive means, it is possible in man-to-man communication to expect communications to take not only a vertical, descending course but an ascending one in the form of criticisms, thus disrupting the one-way traffic of communications. The underlying cause of this change lies in the difference between the form of political control in a feudal society and the form of authority in a capitalist society. It can be attributed at the

same time, however, to the fact that the potential of communications has increased due to the progress in printing, communication media and other areas of modern technology.

Communications within modern society spread not only vertically but also horizontally among members of the same social stratum, and communications not only can be effected among the individuals within a circumscribed area as within a feudal society, but also become horizontally possible over a wider, remote area. Broadcasts and motion pictures as well as transportation and communication daily verify the global, horizontal circulation of a communication content whose source is identical. Mass communication are multi-dimensional.

Next, unlike limited communications within a feudal society, mass communications in modern society are no longer necessarily direct in their expressions. In modern society, for instance, it has gradually become difficult for influential power, even where such power controls the masses, to enforce obedience on the masses through direct and straightforward communications as was possible within a feudal society: communications have become indirect and camouflaged, and techniques of persuasion have come to be employed. Thus communications of modern society tend to use indirect, instead of direct, expressions. Mass communications are now characterized by indirectness.

Thirdly, relay of communications has gradually disappeared in modern mass communications, and the same content is sent out simultaneously to many individuals over a wider area from a single source. Here the simultaneity of mass communications has taken the place of the successive relay of feudal communications.

As shown above, mass communications are multi-dimensional, indirect, and simultaneous. With these three characteristics, mass communications penetrate into the life of each and every individual living in contemporary society, exercising unnoticed strong and deep psychological effects upon him. The manner in which such effects actually asserted themselves in Japanese society will be discussed next by citing concrete examples in the field of mass entertainment.

Utilizing the European or American technical devices and systems to a maximum, mass communications of present-day Japan, as seen from the technical standpoint, is highly modernized. The content of communication as well as the habit of communication, however, are not thoroughly modernized by the existence of the above-mentioned remnants of feudalism. One important factor in this is the social circumstances under which communicatees are placed. In other words, present day Japanese masses possess a weakness that they have not yet grown out of the communication habit they acquired in the feudal ages.

First, with regard to communication content, many communicatees even now do not take a given communication as anything but a command, and are socially quite inert in their attitude of criticising or resisting it. Under a feudal system, disobedience to a commanding communication meant a heavy penalty and the communication itself was regarded as something sacred and inviolable. Furthermore, sacredness of from-top-to-bottom communications was exploited

to an extreme under the Emperor system after the Meiji Era. Old sayings like 'The Emperor's word is final and absolute' and 'The commanding officer's order is tantamount to the Emperor's order' were used to make the social or military ranking an absolute one.

As the sanctification of communications reaches its height as it did under the Emperor system, the masses are forbidden to hear the Emperor's voice directly with their own ears or to read them in the original. Communications sanctified to this extreme are intended to make the state authority absolute by divorcing Imperial communications from the masses. Thus communications from the Imperial power down to the masses since the Meiji Era were characterized by the manifestation of the sacredness of the Emperor system with recourse to particularly difficult, ambiguous terms used by the Imperial Household. This ambiguous nature of Imperial communications have influenced directly or indirectly the form and content of mass communications in Japan. Even now mass communications in Japan are more or less characterized by their ambiguous and irrational mode of expression, despite the gradual drift toward the simplified and rational mode of expression since the end of the World War.

In order to seek the support of the people for the Emperor system after the War, efforts are now being made towards the democratization of the Emperor system by means of utilizing modern technique of mass communications. Nevertheless, mass communications in contemporary Japan still retain feudal elements which can serve as a spiritual support for the ancien regime. In the following section we will show how the mass entertainment under the pre-war Emperor system in Japan is still tinged with the feudal element, and examine the stagnant nature of Japanese mass culture despite the technological development of mass communications industry in Japan.

II

Mass entertainment in contemporary Japan may be characterized by the predominant traditional taste preserved in the content as well as in the mode of expression. Let us examine first, the content of popular music, particularly popular songs now thriving on mass media. Here a tendency to appeal the popular sentiment for political and social status quo is pronounced. Popular songs with a theme that would take the masses into the world of traditional sentiments or a theme exhorting feudalistic human relations and morals are produced on gramophone discs. The number of discs sold every month by recording companies in Japan averages some 600,000 (599,000 as of September for 1956), and 70 percent of which are popular songs. Approximately ten new popular songs come out every month. Reportedly marking a post-war record, some 500,000 discs of a hit popular song were sold. Through radios, a medium of high prevalence, popular songs have attained nationwide popularity that surpasses any other genre of mass entertainment. Furthermore, popular songs can spread

out not only through mass media but also through the singing of fans themselves whether in urban or rural areas.

If a study is made of the mode of expression and the content of popular songs, whose coverage is probably most extensive among various genres of mass entertainments, a clue to what the present-day Japanese masses are seeking and thinking will be obtained.

In the following paragraphs, major characteristics of Japanese popular songs as compared with those of their foreign counterparts will be given.

I. *Expressions:*

(1) Ambiguity or vagueness of Expression.

Often it is not clear whether the first person in Japanese popular songs is male or female. The expression of circumstances and situations surrounding that person is frequently vague. For instance, love songs of foreign countries usually tell by the sentence subject whether the person expressing affection is male or female. In Japanese popular songs, however, terms for the sentence subject like 'Boku' ('I' Male) and 'Watakushi' ('I' Female) are not used very often. Also a partner in love is expressed by a neutral pronoun like 'Kimi' ('You') which is applicable to both sexes. Thus, in Japanese popular songs a person whose sex is not clear, and, therefore, whose part can be sung by either a male or female singer, expresses feelings in an ambiguous setting.

Example. 'Ah, the memories come and go
While an evening moon grows dim and disappear in the
Yonder far-off clouds afloat.'

——'Song of an Evening Moon'——

(Third Stanza)

by Chisho Terao

(2) Symbolism by Nature Description.

As seen in the above example, the setting is made equivocal mainly by the symbolic description of natural scenery. A series of meaningless words and sentences as seen in the traditional literary form, such as Haiku, Renku, Kabuki drama, is used to achieve this effect. There is an air of something vague about the moods and feelings.

Example. 'Wrapped in a handkerchief pale blue
Whispers walk through a narrow moonlit lane.
Soon wet in the evening dew they sob
With the windows of their heart closed.'

——'Pale Blue Waltz'——

(Second Stanza)

by Ko Fujiura

'The lonely harbor left behind with memories,
A lonely sea gull wet in the rain.
Ah, like a red camellia, a falling red camellia
Fleeting is a dream.
Why tears tonight again for that person at the Spa.'

——'Harbor of Red Camellia'——
 (First Stanza)
 by Yaso Saijo

II *Content:*

The reason why Japanese popular songs are sentimental in mood and lack the sentence subject as seen in the above examples will become clear if their themes are examined. The themes which assume a large proportion of Japanese popular songs are: the parting sorrow of lovers and of parent and child, and their agonies at being separated. Blended with the aforementioned symbolic description, such a psychological state creates a peculiar indulgence in sorrow and agony. Here pleasure in sorrow and pain, which may well be called Japanese type of masochism, is expressed. A content analysis of typical popular songs will clearly show the intensity of this masochism.

Below the words used most frequently in 10 songs that are currently (as of November, 1956) most popular are given in order of frequency of appearance (figures in parentheses).

1) Nouns:

Tears (9) Flower (8) the Girl (8) Heart (7) Sweetheart or 'the person' (6) Harbor (5) Pier (5) Man (5) Island (4) Night (3) Dream (3) Sea (3) Love (3) Mind (3) You (3) I or me (3) Baby (2) Offing (2) Light (2) Ship (2) Village (2) Memories (2)

2) Nouns concerning nature:

Moonlit night (3) Night (3) Moon (3) Wind (2) Rain (1) Mist (1) Setting sun (1) Cloud (1) Evening wind (1) Evening glow (1)

3) Adjective:

Sad (5) Distant (3) Red (3) Dear (2) Pleasant (2) Tearful (2) Painful (1) Weak (1) Dark (1) Lonely (1) Vacant (1) Provoking (1) Tender (1) Beloved (1) Happy (1) Bright (1)

4) Verbs:

Weep (14) Call or cry out (6) Remember (4) Long (4) Wait (3) Meet (3) Part (3) Return (2) Come (2) Go (2) Disappear (1) Fall (as leaves fall) (2) Get wet (1) Leave (go away from) (1) Blow (1) Walk (1) Rain (1) Smell (1) Forget (1) Wander (1) Listen (1) Leave (abandon) (1)

As a matter of fact there are many other songs that contain many more of these words of sorrow, some of which appear several times in one song. If the total number of popular songs is taken into account, therefore, the proportion of the element of sorrow will increase further.

It can be said that an outstanding characteristic of Japanese popular songs lies in the fact that parting sorrow is expressed symbolically in the natural scenery ('Rain at the harbor' or 'Pier in mist') and that the feeling of sorrow is to be 'appreciated' or 'enjoyed.'

The following song expresses the sorrow of parting lovers by the repetition of the verb 'weep'.

'Weeping, weeping,
 Unmindful of weeping,
 The window parts them further.
 Looking back, they see yonder
 The stars go flying
 Like the eyes sad and longing
 Above, above the Train of Sorrow.'

—'Train of Sorrow'—

by Hiroshi Sakurai

This is not a wholesome love song but a song of self torturing under a 'dark fate.' The fatalist theme underlying this kind of song has kept alive in current popular songs the feeling that was once expressed in 'Dry Pampas Grass', a popular song of almost 30 years ago.—'In this world we two will never bloom into blossoms. After all we are dry pampas grass....'

Example '...Drifting, unsettled life is my lot.
 Exposure to weather is natural after all.'

——'Wandering Guitar'——

(First Stanza)

by Yaso Saijo

'Happiness always runs away, far
 From the arms outstretched
 Leaving hot tears behind.
 No use crying, asking,
 It goes away heartlessly.
 Happiness is a wandering blue bird.'

——'Duet of Women'——

(First Stanza)

by Yaso Saijo

The majority of the masses in Japan are still considering themselves as being at the mercy of this dark 'fate' and feel a kind of self-satisfaction or negative pleasure in their resignation.

In these days of active labor movements and social movements, however, many workers, students, and young people have come to sing cheerful songs of working and studying youth, with the result that popular movements to spread wholesome songs, like the 'Singing Voice Movement', with half million participants all over the country have been actively promoted. The majority of the masses, however, have not yet been able to rid themselves completely of the morbid theme of fatalism and resignation.

The fatalistic masochism is only one phase of popular songs. The other phase is found in drinking songs like 'Tonko Bushi' and 'Yatton Bushi'. These songs provide an outlet to the energy that has been distorted and suppressed by masochistic tendency.

Japanese drinking songs are different from their foreign counterparts.

Whereas drinking songs of foreign countries are generally innocent and cheerful in mood, Japanese drinking songs have an impoverished, pathetic gayety and are fit to be sung only at restaurant parties with entertainers or waiting girls to a Shamisen accompaniment.

Thier contents, in many cases, contain feudalistic contempt of woman and serve only to give energy an aimless, unbridled outlet. These songs usully lack those vague moods or nature descriptions seen in the above-mentioned popular songs, and generally consist of plain descriptions, but sometimes resignation and parting sorrow are also sung in association with nature descriptions. Thus not a few drinking songs have themes of Japanese masochism.

Example 'It should have been said—
 Why unable to utter just that one word?
 Why unable to confess...?
 Again the leaving, looking silly.
 Love is sad, the moon looks hazy.
 Hi, Tonko, Tonko!
 —'Tonko Bushi'—
 (First Stanza)
 by Yaso Saijo

As the contents of the popular songs show, frustration of the Japanese masses is regulated through the unique psychological pressure of masochism, an indulgence in resignation or sorrow. Therefore, popular songs do not help release psychological tensions by frustration.

The sad, sentimental theme of Japanese popular songs is seen, however, not only in thier words or contents but also in the melodies themselves. Their melodies have many elements that appeal to the Japanese feeling of pathos. (This subject cannot be discussed here but mention should be made that a study is being made on the subject by the author and his colleagues.)

In any case, Japanese popular songs have not changed much in their theme since the time gramophone records became popular in Japan 30 years ago. Except for a portion of teen-agers in cities, the majority of the masses who are enjoying popular songs find the jazz songs with light, cheerful words and melodies still foreign and hard to accept.

It can be said from the above fact that the taste of the Japanese masses is rather stagnant and that this stagnation may be related to the stagnancy of Japanese culture as a whole.

III

In Japan the most familiar mass entertainment along with popular songs is films. Numerically speaking, the 1956 (October) statistics show: number of movietheatres, 6,123; number of people who went to movies during the period from 1956 January through October, 850,496,000; number of dramatic films

released during the year, 514. Compared with the case of popular song, the regional difference in the distribution of audience, audience response, and social psychological influence is greater in motion pictures. Even within Metropolitan Tokyo, for example, the audience at residential movie theatres and the audience at downtown movie theatres laughs at different points of the same film, and it occasionally happens that where the latter laughs the former weeps. Such difference is also seen between major cities in different provinces. As far as Japanese films are concerned, the audience stratum supporting exclusively the films of particular major production companies have developed fairly distinctively. To make a rough grouping, the Shochiku films have more female audience among their supporters, whereas the Toho films more middle aged men and women, and the Toei films more small boys and girls. Since fans of a particular star concentrate on the films featuring the star, the audience may also be divided into strata each supporting the films starring particular actors.

Thus, as compared with popular songs, motion pictures as a mass medium have more stratified audience. This stratification has intensified the psychological effect of films on the movie audience, because the audience concentrates on the films of certain companies catering to its taste, or on the films featuring certain actors, strong psychological bonds are established between the audience and the films.

Nevertheless an amazing similarity is observed between Japanese popular songs and films when the mode of expression and the content of Japanese motion pictures are examined after the manner in which the content analysis was made of popular songs.

First, more films with tragic themes and fewer films with happy endings are found among Japanese films than among foreign films. Especially in the 'Mom' ('mother' story) films stressing maternal love to an extreme (on sometimes in films with a paternal love theme) and in the 'tear jerkers' (hard luck' story) which are deliberately produced to make Japanese women weep, a rarity in foreign movies, is Japanese masochism more clearly revealed than in popular songs.

'Mom' and 'tear' films are advertized with phrases like 'Will really put you in tears', 'A handkerchief will be presented at the theatre entrance to the first 1000 customers', 'You will weep several times as hard' (since several roles, e.g., real mother, foster mother, step mother etc. are, depicted in the film). A foreigner would find these phrases inconceivable.

Mostly with a stereotyped woman as the heroine of their themes, such films depict agonies of a mother who, with her illegitimate child before eyes, cannot name him because of her social status; or the self-sacrificial spirit of an 'obscure' woman who gives up her own love and helps her man marry a daughter of a 'good family' to promote his career. There is something in common between this and the psychology of a woman of the feudal age as depicted in Kabuki dramas who controls her sorrow biting her Kimono sleeve. At this the audience (particularly middle aged women) compare themselves with the heroine and feel consoled by

the thought that 'I am better off than she', or the audience identify themselves with the heroine feeling that 'There are people just like me.' In such stories no positive solution is usually given, and only the receding sight of the back of a lover or a beloved child concludes the stories. There is not a streak of brightness or hope. Darkness is before the heroine and she will crouch forever watching the receding figure and weeping, or even holding back her tears and smiling. Her silent weeping and efforts to keep back tears throw the audience into a sort of ecstasy in a culmination of Japanese masochism.

In unsolved tragedies like these, no positive efforts or hopes in life are included; only resignation and fatalism are emphasized. In this respect, films of this type have a social psychological basis similar to that of popular songs.

Not only among these 'Mom' and 'sob' movies but also among love story films there are many that have, as thier themes, lovelornness, life long parting, bereavement, and disappointment in love.

Secondly, Japanese films like Japanese popular songs have an appendage of nature descriptions as found in traditional literary works. Such descriptions, however, are not of the kind that are conducive to a beautiful harmony of nature and man, the latter becoming part of the beauties of nature. In an attempt to supplement inadequate psychological descriptions with fragmentary nature descriptions, leaves fall and the moons rise over the pampas grass field too frequently. In other words, as with popular songs, human feelings disappear vaguely into natural scenery as in an illusion. Where the psychological energy is suppressed and weak, intense expression of opulent feelings became rare. Under the circumstances recourse is had to nature whereby nature is made to speak for man. Thus the Japanese films and popular songs share their vocabulary to a considerable degree.

Thirdly, there is a group of films such as cheap comedies or 'sword-rattlers' with an impoverished, pathetic gayety comparable to that of Japanese drinking songs. In such films characters slip and tumble, or the hero makes a clean sweep of swarming enemies but they do not evoke a laughter which is wholesome, much less have any polished irony or constructive cheerfulness.

Just as popular songs have a feudalistic gloominess despite their apparent cheerfulness, as do comedy films and sword-rattlers reveal nothing but a reversed facet of masochism. The psychological inclination to respond to the behavior of those losing out and to applaud at the end of a slain chivalrous man is also a manifestation of Japanese masochism. Expressions like 'Death-defying (desperate)', certain death (for one's life)', 'apology by death (atonement for one's fault with one's life)', and 'clear one's name through death', all of which abound in the term 'death', frequent in their appearance and characteristic of the sword-rattling films.

In this manner efforts are made in films as well as in popular songs toward the distorted canalization of the psychological energy of the masses; the epitome of such feudalistic psychological pressure being 'Mom' and 'sob' films.

Along with popular songs Japanese films are classed as mass entertainment,

notwithstanding that they have little to give to the masses and serve only to confine the psychological energy of the masses within warped frames or to store it up under pressure.

They are far from being a recreation in the true sense of the word intended to re-create the psychological energy of the masses into something wholesome.

Thanks to the mass media, mass entertainments are including today many more communicatees than ever before; the above mentioned psychological pressure becomes heavier all the time and the strain greater and greater.

The current popular songs and films in their sad mood are running completely counter to the primary role of entertainment, that is, to provide the masses with adequate psychological release and thereby to relieve the pressure of their pent-up energy. This in, the final analysis, is based on the fact that the structure of Japanese society itself still contains too much of feudalistic admixtures adverse to the democratization of the whole society.

ACCOUNTING PRINCIPLES UNDERLYING NET WORTH INCREASING THEORY

By Toshio Iino

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I. *Fundamental Problems of Net Worth Increasing Theory*

As is well-known, there are two methods of the income determination in accounting, i. e. that of comparing the amount of capital at two points, more specifically, at the beginning and the end of a period, which is often called by net worth increasing theory, and that of matching cost with revenue. Of these two methods of income determination, we shall be concerned in this paper with some problems concerning the net worth increasing theory.

As, above-mentioned, the net worth increasing theory is characterized as a method of income determination, which regards the amount of increase or decrease in the net worth as net income or loss. It is not too much to say that correct determination of net worth, which is the difference between assets and liabilities, means the correct determination of periodic income. Therefore, in the practical application of this method, it is prerequisite to know the exact amount of assets and liabilities. As the amount is represented and summarized in the balance sheet, under the net worth increasing theory, in preparing the balance sheet at the end of a period it is one of the most important problems to determine the net worth.

As is well-known, the theory of balance sheet (*Bilanzlehre*) as developed in Germany from the middle of the last century was mostly concerned with what should and should not be represented in the balance sheet (*Bilanzfähigkeit*), how to evaluate the assets in the preparation of the balance sheet (*Bilanzbewertung*), how to classify the assets for the preparation of the balance sheet (*Bilanzgliederung*) and how to arrange them in the balance sheet and others, of which importance was attached to the ability and valuation of assets. The way to solve these two problems affects to the essence of the balance sheet. Of them, the valuation of assets is a more important and difficult problem in the theory of balance sheet. In fact, it is not exaggerating to state that the study of the balance sheet has hitherto been centering around this problem, and the standard and the upper limit of it have not been concerned with the valuation in general, but with only the specified purpose.

II. *The Principle of Truthfulness*

There are some principles for the preparation of balance sheet, such as the principle of clarity or disclosure (Grundsatz der Bilanzklarheit), consistency (Grundsatz der Bilanzkontinuität) and singleness (Grundsatz der Bilanzeinheit), but it has been customary to regard the principle of truthfulness (Grundsatz der Bilanzwahrheit) as the leading one of all of them.

It is often argued that the principle of truthfulness is concerned with describing the financial position truly in the balance sheet. Such an argument is however nothing but a tautology and essential is not explained by it at all. As we shall be concerned with the more detailed analysis of this principle later in this paper, brief mention will be made here of the scope and limits of the validity of this principle. According to the net worth increasing theory, the function of the balance sheet is only the determination of the net worth as of the end of a period. Generally, there are two meanings for the determination of the net worth. One involves the exactness of the respective amount of assets and liabilities which are necessary for the determination of net worth, while the other is concerned only with the amount as expressed as the difference of these two in utter disregard of two amounts and the method of asset valuation will vary in accordance with the one which will be adopted. It is however held generally that the principle of truthfulness of the balance sheet pertains to the first one of the above-mentioned two meanings. According to the principle, the exact amount of the net worth is automatically derived from the respective amount of assets and liabilities, if they are exactly determined. We have to know that here lies the limit of the validity of this principle.

Next we must clarify the principle of truthfulness with such a meaning. This principle requires a representation of all the assets possessed by an enterprise and all the liabilities owed by it in the balance sheet. It is only the minimum requirement for the balance sheet, because some of the assets and liabilities represented in the balance sheet may not exist actually. It is therefore required that all the items described in the balance sheet should really exist. Thus, the principle of truthfulness constitutes the standard of what should and should not be represented in the balance sheet. The principle of truthfulness also affects the valuation of assets. According to it, each asset should be evaluated by the objective value as of the balance sheet date. As is well-known, the valuation of assets directly affects the amount of the periodic income as well as net worth. This is the reason why the principle of truthfulness is the most important among many fundamental principles affecting the valuation.

As above mentioned, the principle of truthfulness demands the real existence and the inclusiveness of the assets possessed and liabilities owed by the enterprise and the valuation by the market price. Such requirements are however not sufficient enough to completely settle all the problems of what should and should not be represented and how to evaluate assets. In fact, there are some

problems, which the principle fails to cover. For instance, whether or not the requirement for the real existence or inclusiveness should be made either of assets or liabilities or both, can not be solved by that principle. Moreover, as there are two kinds of market price i. e. realizable value and replacement cost, it is not clear which price should be used under the principle of truthfulness.

III. *The Accounting Significance of Capital Equation*

As these problems cannot be settled by the principle of truthfulness, some other principle of solution should be looked for. What is it? As the net worth is usually determined by the so-called capital equation, it is natural to try find the clue to the solution of this problem in this equation.

As is well-known, the capital equation is a numeral equation, which has the form — assets — liabilities = net worth. The validity of this equation is generally assumed as a matter of course, but the scrutiny of this equation reveals to us many things which we cannot take for granted. In the first place, it should be pointed out that the assets consist of various goods, rights and others, while the liabilities are quite different from the assets in their characteristics and moreover have many inhomogeneous constituents.

To add or to subtract is, in general, possible only when the terms involved are of homogeneous. It is thus difficult to attach any meaning to add assets of both or to subtract liabilities from assets, because they are of character different from each other. Moreover, it seems to be illogical to subtract from the assets the liabilities, which are qualitatively different from the former.

Then, what should be the logical foundations of such a determination of net worth or capital equation, if it is valid at all? To subtract liabilities from assets is not a mere calculation procedure, but in its subtraction some economic activities is implied. This is also clear from the fact that the figures or amounts in accounting are always provided with some economic significance. The subtraction of the liabilities from the assets means the payment of all the liabilities owed by the enterprise, from the assets possessed by the enterprise. In other words, the said subtraction or capital equation reflects the payment of the liabilities from the assets. The capital equation therefore essentially indicates the calculation to determine the amount of assets, which remains after the payment of all liabilities from them. If we remember that the object of such a calculation to be carried out at the end of the fiscal year is to make clear the financial position of the enterprise after the payment of all the liabilities with the assets at its disposal, it may be said that the calculation presupposes the final liquidation and winding-up of the enterprise. Therefore, the validity as mentioned in the principle of truthfulness, should be taken in the above-mentioned narrower sense even if the balance sheet is to be qualified by the said principle. Accordingly the requirements for real existence as well as for inclusiveness of assets and liabilities and valuation by the market price should be understood in

connection with the idea as presupposed by the capital equation as well as with the validity in the meaning characterized by such an idea.

IV. *The Standard of Realizable Value*

As was mentioned above, the principle of truthfulness requires to evaluate by the market price. Beside the market price, there is the original cost which is the price, at which the assets were obtained. As the original cost does not represent the value of the assets as of the balance sheet date, it cannot be incorporated into the capital equation, which premises the immediate liquidation and winding-up of the enterprise. The original cost is therefore utterly of no meaning for the preparation of a balance sheet for the calculation of remaining assets after payment of all the liabilities.

There are two kinds of the market price, i. e. the realizable value and replacement cost but it is clear that the replacement cost should not be used in the calculation of the capital equation, because the liquidation and winding-up of the enterprise is presupposed in its equation, while the establishment or the commencement of the enterprise is assumed by the replacement cost. Accordingly, it follows therefrom that the capital equation as well as valuation of assets in the determination of net worth should be based upon the realizable value. Of the realizable value, there are again two categories. One is the realizable value in the ordinary course of the business operation, while the other is in the course of compulsory realization. As the capital equation presupposes the immediate liquidation and winding-up of the enterprise, the latter of these two standards should be adopted. Even if the assets are classified in the balance sheet into current assets and fixed assets under this equation, there is no reason to change the proposed standard of valuation, because everything is simultaneously evaluated at its realizable value in the course of compulsory realization. In fact, the division of the assets into current and fixed has its significance only when the continuance of the enterprise is presupposed.

Under such a condition as above-mentioned, where the assets are evaluated at their realizable value in the course of compulsory realization, the calculation of net worth seems to be carried out without any contradiction by means of the capital equation. Only through such a procedure, we are allowed to subtract from the assets the liabilities, which are heterogeneous to each other. In fact, the amount of assets obtained by such a calculation indicate their cash value, while the amount of liabilities corresponds to the cash to be paid. The difference of these two amounts therefore indicate the amount of cash, which will remain at the disposal of the enterprise after the payment of liabilities. The determination of net worth by means of the capital equation appears to be the summation and subtraction of the assets with different forms, but in reality it is a calculation unified by the cash value. Here cash is presupposed in the calculation as the representation of the respective assets. Each asset is therefore considered not

as goods or rights, but as the money for paying liabilities or debt-paying-medium.

In the so-called original cost theory of the asset valuation, the assets other than cash are also considered to be money itself. There is thus no difference between the original cost theory and the realizable value standard, so far as they regard the assets as transmutation of money. It should however be remarked that the former is concerned with the money spent to obtain the assets, while the latter with that to be obtained by selling it. In other words, the former, represents the assets as money obtained in the past, while the latter as money available at present. It goes without saying that there is no necessary relation between the amount of investment and the ability for payment of liabilities. The assets obtained at a high cost are not necessarily sold at high prices. In the determination of net worth, the original cost theory should not be taken in a literary sense as the requirements for valuation of assets at their original costs, although the theory represents any asset by the equivalent amount of money. The important thing here is not the amount of money, which was paid to obtain the assets, but the amount of money, which can be obtained through the sale of the assets.

V. *The Real Existence of Assets and the Inclusiveness of Liabilities*

The greatest concern on the part of the creditor is the amount of the net worth, which is determined by the capital equation based upon the principle of truthfulness. Such a concern has been strengthened by the appearance of corporations, because only the assets belonging to a corporation are mortgageable to the creditor. To know the debtor's financial position or to know the amount of liabilities the debtor is able to pay, can be determined through the balance sheet submitted by the debtor, because it represents all the assets and liabilities. In such a case, the balance sheet is apt to be prepared most favourably to the debtors. In fact, the larger the net worth, the better the financial position of the enterprise making it seemingly more reliable to the creditor. The debtor is therefore interested in making the assets larger and the liabilities smaller in the balance sheet. Therefore, the requirements for real existence and inclusiveness are discriminately made of assets and liabilities by the principle of truthfulness.

It is not necessary that the requirements for real existence be made of the liabilities, because it is almost improbable that the debtor, who is only interested in the apparent increase in the net worth at his disposal would represent any liabilities that do not real exist. The inclusiveness is, therefore, strongly required of liabilities. Indeed, all the liabilities, which whether they are recorded in the ledger or not, should be represented in the balance sheet.

While in the case of assets, it is improbable that they would not be represented in the balance sheet. Inclusiveness need not therefore require of assets. On the contrary, there is the possibility of representing more assets than those that really exist with a view of making net worth appear more than it is actually.

In the case of assets real existence must be strongly required. We are therefore confronted with a situation quite opposite to the case of liabilities. It should be noticed that the required reality of existence does not necessarily imply the concreteness or tangibility of the assets but they are of use in paying the liabilities. Therefore, those without any realizable value should be excluded from the assets, whether or not they are recorded in the ledger. In other words, the real existence is confined by the convertibility to money. From such a point of view, it is clear that most of the prepaid expenses and deferred charges to cost should not be represented as assets in the balance sheet, because they are not only without any cash value, but also presuppose the continuation of the enterprise, which is clearly against the assumption of the capital equation, immediate liquidation and winding-up of the enterprise.

It is however difficult or impossible to exactly measure their availability for paying debt. The conservative measurement of it is therefore required of their valuation. With respect to assets, under-valuation is considered to be better than the over-valuation while with respect to liabilities, not the present value, but the designated one is taken into consideration, although the immediate payment is in anticipation. All this is because the balance sheet prepared by such principles is favorably considered by creditors as "not worse but better" statement well meeting the requirements on their part for maximum liabilities and minimum assets. This is called by the principle of conservatism. Also with this respect, the principle of truthfulness is under a restriction.

VI. *The Provisions Concerning the Valuation in the German Commercial Law*

The above-mentioned principle of determination of net worth is that to be referred to in the preparation of the balance sheet and is based upon the viewpoint of measuring the debt-paying-ability, against the present accounting procedures. The point of view as implied in this principle is however found in the typical theory, which was advocated by many lawyers, when the German Common Commercial Law put in to effect in the middle of the nineteenth century. According to them the balance sheet should represent the objective financial position as of the balance sheet date and the stipulation concerning the valuation in the commercial law are to be interpreted referring to the realizable value at the balance sheet date. This was the first theory ever formulated concerning valuation of assets in Germany and is usually called the objective value theory (*Objektive Wert Theorie*). One of the authorized theories referred to most often in this connection is the decision, which was given on 3rd December, 1873 at the German Commercial Supreme Court. According to it, "The present value (*gegenwärtiger Wert*) to be decided upon as appropriate in the balance sheet should by no means be the estimate based upon arbitrary and subjective measurements or upon a mere speculation. On the contrary, it should be understood as a general exchange value (*der allgemeine Verkehrswert*). In fact, there should be an objective corre-

spondence between the balance sheet and the objective reality of the financial position. Thus, the constituent parts (positive and negative) of the property should in principle be valued by their respective market or bargain price, while the remaining constituent parts should be valued objectively by other appropriate methods."¹

The realizable value approved by the majority of lawyers as the standard of valuation, when the theory of balance sheet was first formulated in Germany. In this theory, the proposed standard constitutes the central part of the principle, which governs the preparation of the balance sheet together with the principle of truthfulness and the capital equation. The balance sheet theory which was strongly renounced by Schmalenbach as "static", is nothing but the one as embodied in such a valuation standard and the principles at its background.

VII. *The Application of the Principle of Capital Calculation to the Determination of Income*

As has often been mentioned in the foregoing, the principle of the preparation of balance sheet as based upon the capital equation is the one concerning the capital determination, which is required for the measurement of the debt-paying-ability from the creditor's standpoint. The principle was in turn applied to the determination of income in the net worth increasing theory, where it was considered that the correct determination of the net worth by the capital equation resulted in the correct measurement of periodic income. It seems to us however that no mention has explicitly been made by those lawyers who advocate the objective value theory. As far as it constitutes a basis for the standard of valuation in the balance sheet at the end of fiscal year, the determination of income by the balance sheet is nevertheless bound by the capital calculation and we have to understand that this is tacitly assumed, whether they are conscious of it or not. Of course, an application of the principle of the capital calculation to that of income seems to be rather imprudent, because it seems to us that these two calculations are quite different. We therefore wonder if the advocates of the objective value theory were only concerned with the valuation of assets without considering the income determinative function of the balance sheet. There are nevertheless some grounds for the proposed application of the principle of the capital determination to that of income. Although we have to expect various difficulties in the practical application, these are closely connected, as is clear from the following.

By the procedure to determine the net worth by subtracting from the assets both the liabilities and contributed capital, we know how many assets are still remaining as net income, if the liabilities are paid to the creditors and capital contributed are returned to stockholders. In other words, if there remain such net income, we can secure the amount of assets sufficient for the payment

¹ Passow, R., *Die Bilanzen der privaten und öffentlichen Unternehmungen*, Bd. 1. 3. Auf. Leipzig 1920, S. 88, ammn. 3.

of all the liabilities and contributed capital and can thus secure the interest of creditors and stockholders. Indeed, capital and income are completely separated from each other. The determination of the net worth by means of the balance sheet is therefore to determine the income.

Such a view was however prevalent at the earlier periods in the history of accounting. In fact, in England a large number of suits were brought to the court from 1860' to 1870' concerning the profit sharing of corporation and the view in question was explicitly advocated by many decisions concerning the income determination. For instance, the following statement was made in the decision given to the *Binney v. Ince Hall Coal and Cannell Co.* case in 1866 concerning the method of the income determination in direct reference to the clause in the by-law of the corporation, which were made two years before. "The first step would be to make good the capital by taking stock and putting a value upon all the assets of the company of whatever nature and of deducting therefrom all the liabilities (including amongst those liabilities the amount of contributed capital), and the surplus, if any, remaining of the gross receipts would be net profit."² On the other hand, in the decision of the *Halby* case, it was contended that directors' reports were not a substitute for balance sheet stating, "The object (of the clause in the by-law) was that the directors should produce a balance-sheet in order to show the assets of the company and their value and on the other hand the liabilities of the company; because it is only on that sort of statement that you can draw any rational conclusion as to whether there is a profit".³ After citing these decisions, Prof. Littleton outlines the decisions concerned with the method of income determination in the middle of the nineteenth century stating, "These views, expressed about the middle of the nineteenth century, touch upon an interesting accounting matter. The first thing which attracts attention is the use of the balance-sheet to calculate the "net revenue" or "net profit". This indicates a conception of profit which is associated with the final liquidation and winding-up of a company: the profit consisting of whatever property was left after using the assets to discharge the liabilities and reimburse the stockholders for thier capital contributions".⁴

Though the accounting principle underlying capital equation is not reasonable from the present accounting theory, it was applied to the practice of the income determination in Germany and in England, in the latter half of the nineteenth century. If we remember that the principle is concerned with the protection of creditors, it is very natural that its support extended by lawyers and courts.

Thus, it is not too much to say that the capital equation has an essential influence upon the accounting theory.

² Littleton, A. C., *Accounting Evolution to 1900*, Neu York 1933, p. 216.

³ Littleton, A. C., *op. cit.*, p. 216.

⁴ Littleton, A. C., *op. cit.*, p. 216.

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